DOCUMENT RESUME

ED 224 165 EA 015 258

TITLE	Choice in Education: Are Tuition Tax Credits the Answer?
INSTITUTION	Stanford Univ., Calif. Inst. for Research on Educational Finance and Governance.
SPONS AGENCY	National Inst. of Education (ED), Washington, DC.
PUB DATE	82
NOTE	35p.; Bound with: IFG Policy Perspectives (Win 1982), 15 issues. Not available in paper copy due to small print and colored paper of original document.
AVAILABLE FROM	Publications, Institute for Research on Educational Finance and Governance, School of Education/CERAS Building, Stanford University, Stanford, CA 94305.
PUB TYPE	Collected Works - Serials (022) -- Legal/Legislative/Regulatory Materials (090) -- Viewpoints (120)
JOURNAL CIT	IFG Policy Notes; v3 n1 Win 1982
EDRS PRICE	MF01 Plus Postage. PC Not Available from EDRS.
DESCRIPTORS	Academic Achievement; Comparative Analysis; Constitutional Law; Costs; Disadvantaged Youth; Educational Objectives; Educational Opportunities; Efficiency; Elementary Secondary Education; *Enrollment Influences; *Equal Education; Federal Regulation; Foreign Countries; Homogeneous Grouping; Institutional Characteristics; Parochial Schools; *Private School Aid; Public Schools; *School Choice; *State Church Separation; *Tax Credits; *Tuition

ABSTRACT

This collection of short articles--summaries of materials presented at an October 1981 seminar--focuses on the probable impact of tuition tax credits. An introductory article summarizes arguments for and against. The second pair of articles present highlights of a debate between Chester Finn and Albert Shanker. In addition, 15 brief articles look at these aspects of the tuition tax credit controversy: uniformity and diversity as democratic ideals for schooling, the emergence and meaning of private education, the public interest in education, constitutional issues, the importance of the private sector of education, the question of whether the benefits of tuition tax credits would be equitable, the importance of how a system of private and public schools sorts students into groups, possible increased regulation resulting from additional public support of private schools, the unrecognized difficulties of comparing the efficiency of public and nonpublic schools, estimations of enrollment shift resulting from tuition tax cuts, the differences in student achievement between public and private schools, the projected cost of tuition tax credits, public financial support for nonpublic education in other countries, future impacts of tuition tax credits (especially regarding the promotion of the homogeneous school), and the case against tuition tax credits. (Author/JM)

U.S. DEPARTMENT OF EDUCATION
NATIONAL INSTITUTE OF EDUCATION
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)
X This document has been reproduced as received from the person or organization originating it.
• Points of view or opinions stated in this document do not necessarily represent official NIE position or policy.

ED224165

CHOICE IN EDUCATION
Are Tuition Tax Credits the Answer?

Tuition tax credits have become one of the most widely discussed and controversial issues in educational policy during the early 1980s. Although there have been different versions of the proposed policy as well as various interests advocating it, the basic idea is to provide public support in the form of tax credits for parents who send their children to nonpublic schools.

The issue is important for a number of reasons. Such a policy would furnish substantially higher levels of public support for nonpublic schools. It would encourage family choice and, many advocates argue, would foster greater competition and excellence in education. Perhaps most importantly, tuition tax credits would shift some of the emphasis of public policy away from the public schools, an institution presently besieged by declining enrollments, economic retrenchment, and eroding public confidence.

The tuition tax credit proposal is accompanied, in the current political climate, by a push to reduce expenditures generally in the public sector. Those who support the proposal, including the Reagan Administration, hope that the nation will soon rely more heavily on the private sector and voluntarism for the delivery of human services. Tuition tax credits would help to accomplish this objective by rewarding private and local initiative for those who choose to organize their own means of educating children instead of depending on public instututions. Given the trend toward fiscal austerity in government, one likely possiblility is an overall reduction in the commitment of public funds to education. This trend is visible both in federal cutbacks and in state initiatives such as Proposition 13 in California and Proposition 2½ in Massachusetts.

Advocates see tuition tax credits as a way of curtailing the growth of bureaucracy, excessive regulation, and impersonal and mediocre schools. It is said that the plan will extend to the poor and to the middle class what is now available only to those who are able to pay nonpublic school tuitions. One result, it is argued, will be a stronger commitment to free choice in the schooling of children. With greater diversity in education, families and individuals will be able to develop educational goals more in line with their own interests and preferences.

Opponents argue that such a policy would increase racial segregation and damage the nation's commitment to its disadvantaged citizens. It is argued that tuition tax credits would further stratify schooling according to social and economic status. More serious yet is the contention that such a policy would undermine the public interest in providing a common experience for all students in which they can learn and practice democratic values. Finally, the charge has been made that such funding for nonpublic schools would break down the traditional wall of separation between church and state.

In spite of the intensity of the debate, little is actually known about the probable impact of a tuition tax credit. No major study has been made of its potential ramifications for existing schools both public and nonpublic. There has not been adequate and dispassionate consideration of the data — and the lack of data — or full use of the theoretical perspectives available to those who wish to analyze alternative courses of action.

This issue of *Policy Notes* addresses these crucial gaps in our understanding. The aim is to provide a balanced interpretation of key issues related to tuition tax credits. Though a few of the articles may take sides or express a point of view that implicitly supports or opposes tuition tax credits, the overall purpose is not to take a stand pro or con, but rather to offer sound analysis. It is hoped that this will lead to informed discussion of a major policy concern in education today, and also that it will help to frame questions for further study and topics for further debate.

The materials presented in the following pages grew out of a highly successful seminar and debate convened on October 22, 1981, in Washington, D.C. The conference was sponsored jointly by the Institute for Research on Educational Finance and Governance (IFG), the National Institute of Education (NIE), and the National School Finance Study (NSFS). Authors of conference papers prepared brief policy perspectives to summarize their analyses for this issue of *Policy Notes*. The evening debate between Albert Shanker and Chester Finn, which took place before television cameras and a full house in the Hall of the States, has been excerpted to present their opposing views on these pages.

One thing that became clear during the conference is that tuition tax credits are not an ephemeral issue. Like the voucher

continued on page 4

THE PERSPECTIVES

Uniformity and Diversity
by Henry M. Levin
Private vs. Public
by Thomas James
The Public Interest in Education
by Carol B. Muller
A Legal Dilemma
by Donald N. Jensen
Understanding the Private Sector
by Donald A. Erickson
Issues of Equity
by James S. Catterall
Sorting Students into Schools
by Richard J. Murnane
Public Support, Public Regulation
by Dennis J. Encarnation
Comparing Public and Nonpublic Schools
by Daniel Sullivan
Factors Influencing Choice
by John J. Gemello and Jack W. Osman
Is There a Private School Advantage?
by Doug Willms
What Will it Cost?
by David Longanecker
Public Support for Nonpublic Education
by Joel D. Sherman
The Future Under Tuition Tax Credits
by Nathan Glazer
Should We Agree to Go?
by David W. Breneman

EA 015 258

Chester E. Finn Jr. is a professor of education and public policy at Vanderbilt University and a proponent of tuition tax credits.

CHOICE AS JUSTICE

By Chester E. Finn Jr.

Tuition tax credits are a means to an end, not an end in themselves. They may not even be the best means to the end I seek, which is fostering educational choice for American families while strengthening the diversity and quality of American schooling.

Aside from foreign policy and national defense, there is nothing that government does so well that it should be left to do it alone, with no competition, with no pacesetters in other sectors, with no alternative approaches.

Today, we do not have a government monopoly of elementary and secondary education for the rich; they enjoy a wide array of choices in both the public and private sectors. They can move to a neighborhood or community with especially fine public schools and pay the added taxes associated with that privilege, or they can opt to enroll their children in various private schools and pay the tuition associated with *that* privilege. We do have nearly government monopoly of schooling for the poor, who are obliged to send their children to school and who ordinarily have no alternatives to the local public school.

The central question for me, then, is whether public policies that allow rich people to make choices in education should allow poor people to be denied those choices by virtue of their poverty. We would be horrified if government provided scholarships to low-income college students only if they enrolled in state institutions. We would be outraged if Medicaid beneficiaries were only allowed to have their ailments treated in municipal hospitals.

As a society, we generally believe that poor people should have the same choices the rich have *when it involves something that is essential or compulsory*. The qualification is vital. We are not talking about smoked salmon, Sunday golfing or holidays at the beach. We are talking about primary and secondary schooling.

Imagine a society in which every child is

Albert Shanker is president of the American Federation of Teachers and opposed to tuition tax credits.

THE RISK IS TOO GREAT

By Albert Shanker

The debate on tuition tax credits would be very different if someone would say that American public schools are no good, that because of all their faults it is really time that they be abandoned, and that there is a strategy for bringing about that abandonment through either tuition tax credits or vouchers.

Everyone involved in the tuition tax credit and voucher debate, however, says nice things about public schools. They say they wish to preserve them, to strengthen them, and that they merely wish to introduce some other values that are also important.

But, the survival of the public schools as we have known them is the issue, although no one wants to admit advocating a policy that could have the effect of destroying public education. This is not surprising because our system of public education has been a major factor in the building of American democracy, and no one wants to give it up.

We do not know exactly what will happen if tuition tax credits become a reality. Some say that $7 billion of tax credits will have no effect at all. Public school people will go to public schools and private school people will get a little more money. Other say that isn't so. In this discussion we are exploring the possible consequence of tuition tax credits and one possibility has, to my mind, a strong likelihood of happening.

Whether my scenario happens or not will depend on the rules of the game. If we talk about a Minnesota program in which, according to the *Washington Post*, about $2 million is spent on a tax deduction out of a $1.3 billion state aid to education program, we are talking about a very small amount. If we talk about the $1,200 credit of the Washington, D.C. initiative, that's another story. And if we talk about vouchers, that is something else still.

There is no point in talking about a tax credit or a tax deduction that is so small that it will lead no one to move from public to private schools. The proponents say the purpose of tuition tax credits is to give people choice. If such a small amount of

required by law to swim every day. But the local public pool does not have enough lifeguards; sometimes the water is not as clean as it should be; the diving board is often broken; some children dunk and occasionally try to drown other children. What is just as important, the pool authorities absolutely forbid anyone to do the backstroke, and insist that all children swim freestyle in the same direction and at the same speed even though some have never learned to float while others are ready for the Olympics.

Obviously, that pool accepts all comers; it is required to. But is it any wonder that the parents of exceptionally eager swimmers, the exceptionally eager parents of ordinary swimmers, the anxious parents of weak or timid swimmers, and the parents who believe that freestyle swimming is sinful and that their children must do the backstroke, obey the compulsory swimming law by sending their youngsters to private pools whenever they can?

I believe that if some parents feel that way but cannot afford private pools, the government should help them, at least as long as it requires all children to swim. This says nothing about the relative worth or effectiveness of public and private pools. That question need not even be asked. What must be asked is whether providing such choices to families in our society is a legitimate public value and a proper function of government. I believe it is.

Educational quality is most apt to be improved when there are many kinds of schools which to some extent compete with one another. This does not mean we must do away with public education as we know it. Indeed, there are numerous opportunities for institutional differentiation, diversification, variety, choice and competition *within* the public schools. But there are also some kinds of education the public sector probably can never provide. Hence a full range of "differentness" must include nongovernmental schools. This, too, is a public value and an educational value.

There is also an issue of justice. In 1965, when large scale federal aid to education began, a solemn commitment was made to aid all children eligible under the various categories without regard to where they attended school. But with rare exceptions, children enrolled in private schools have not received even a fraction of the aid and services to which they are entitled. Meanwhile, their parents pay taxes — both the taxes that support the local public schools and the taxes that underwrite the federal aid programs. There may be many practical explanations for this injustice, but comprehending the depth of feeling about tuition tax credits and other forms of private school aid first requires that we understand the deep-seated resentment within private education over this injustice.

A frequent objection to aiding private education is that students will leave public schools. This has not been the experience of other industrial democracies that routinely support both kinds of schools. Nor has it been the experience of states, such as Minnesota and Louisiana, with relatively well-developed programs of direct and indirect assistance to nonpublic education. At no time since World War II have more than 13 percent of American youngsters attended private schools and the current figure is about 10 percent. It is hard to see this as much of a "threat" — particularly if public schools, rather than fearing competition and seeking to bar the door, work at becoming as good as they should be. They must be places that people *want* their children to attend, not places that rely on the absence of alternatives.

Another objection argues that competition with private schools is unfair because public schools have to do many things

continued on page 4

---

money is provided that nothing can be done with it, choice has not been provided. We must talk about a sum of money that is sufficient to move substantial numbers of students from public schools to private schools so that they really do have a choice.

Who will move? Will it be the poorest students, the poorest in terms of achievement, poorest in terms of behavior, poorest in terms of socio-economic class? If parents have to pay some money in addition to the credit to cover tuition costs it is very clear that the poorest will be ruled out. The more money a family has, the more they will have the ability to add to what the tax credit is. There will be a differential incentive: the wealthier the family is, the greater the incentive will be and the more choice they will have.

In addition, there is always the question of who will be accepted in the private schools. The private schools will be able to select from among the students who are lined up to enter. There is no question in my mind that the first group of students to move out of the public schools will be from relatively wealthier families. They will be the students who achieve more easily, and they will be the students with fewer problems.

What will happen when those students leave the public schools? The reading scores will go down; the math scores will go down. Some of the models who influence some of the students will no longer be there. The political power of the public schools, as compared to the private schools, will most certainly decline.

It is possible to move merely five or six percent of the students out of the public school system and lose 50 percent of the political influence within a community that supports public education. As a matter of fact, only about 10 percent of the children in this country are enrolled in nonpublic schools, and yet the pressure from this group is great because of their wealth and because tuition tax credits is a single issue for them. They were able to pass tuition tax credit legislation in the House of Representatives and came very close in the Senate. They have been able to get one of the two major political parties and the president of the United States to endorse tuition tax credits.

What will happen if another 10 percent of the elementary and secondary school students move from public to private schools in terms of the politics of education in America? Is there any question that if you move from 10 percent to 20 percent, you have a 100 percent increase — doubling of private school enrollment? Wouldn't that also create a doubling of political power among private schools? And what would happen in the following year? The following year, the next group of top students would look around and notice that the kids who used to be the model students are gone. The chances are pretty good that next year, the next group would follow. This would go on for a number of years.

There are other things which could happen. There would certainly be pressure for the amount of the tax credit to increase to the point where there was equity between what the public school child receives and what the private school child receives. Local communities could pass tax credits that could be combined by parents with the federal credits to increase the incentive to buy private education. And these tuition tax credits may well end up having the same effect on the cost of private education as health insurance has had on the cost of medical care.

And what would the public schools be then? Those children who still could not afford to leave or could not be accepted by the private schools would go to the public

continued on page 4

CHOICE IN EDUCATION (cont.)

proposal, they have been around for a long time and the debate over their merits is likely to intensify during this decade. A tuition tax credit proposal is before Congress again, as it was in 1978, but now with Administration support. And although a tuition tax credit initiative was defeated by a nine-to-one vote in the District of Columbia last fall, there are continuing signs of public support for such proposals and for vouchers in many states and local communities.

In view of these developments, the questions addressed here are vital. Is the proposal constitutional? What will it cost? Who is most likely to benefit from the credits? What does history tell us about claims being made in the current debate? Will there be great enrollment shifts from public to private education? Are private schools more effective than public schools? Why do people choose one or the other? What is the appropriate role of government in regulating education both public and private?

These and other timely questions receive attention on the following pages. First is the *Policy Notes* newsletter itself, including these introductory comments, excerpts from the debate between Shanker and Finn, and other information about IFG. Second, a set of one-page *Policy Perspectives* is enclosed, covering each of the major issues and summarizing the longer research papers presented at the conference. Readers who wish to obtain copies of the full reports upon which these *Policy Perspectives* are based should write to Sandra Kirkpatrick, director of dissemination at IFG, specifying which report is desired. Reprints of the *Policy Perspectives* are also available upon request. ■

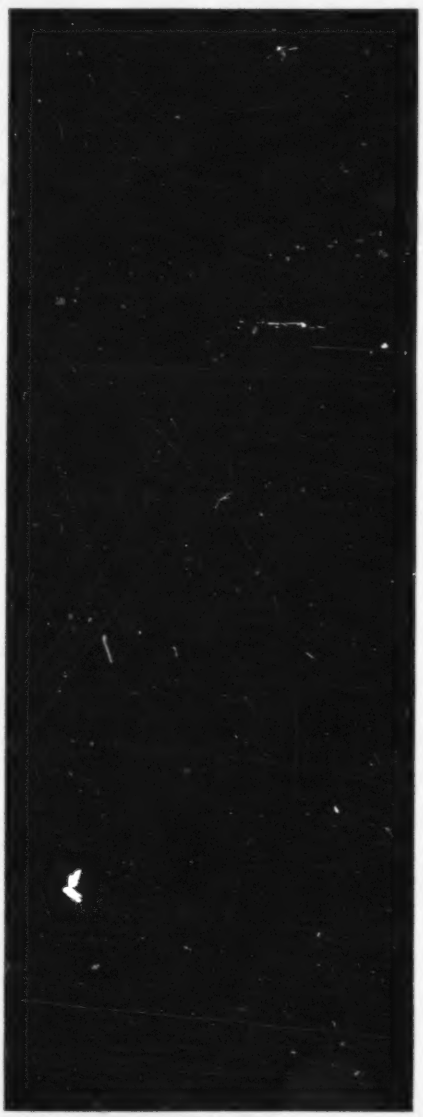
CHOICE AS JUSTICE (cont.)

that private schools do not. The appropriate way to handle the absurd and intolerable constraints on public education is to ease or eliminate those constraints, not to lament the freedom with which private schools operate. But at the same time, private schools must understand — and some would rather not — that getting aid will necessarily entail a certain amount of accountability. There is no getting around it — those who would minimize regulations must be warned to spurn all forms of aid.

Others object that aid to private education means aid to the rich and the white. The main purpose of aid to private education is to bring opportunities within the reach of the poor and the nonwhite and thereby to *alter* the composition of the private school population. That private schools are disproportionately attended by those who can afford to attend them is why we should aid others who would like to attend them but cannot.

Still others argue that aid to nonpublic education is unconstitutional. We can not know its constitutionality because the Supreme Court does not give advisory opinions and no existing decision is directly on point. We need not be shy about giving the Court another opportunity to ponder the meaning of the First Amendment. In my view, and that of many constitutional scholars, since 1974 the Supreme Court has regularly (if unsystematically) misinterpreted the intentions of the founding fathers when they wrote the "establishment" and "free exercise" clauses. The Supreme Court needs to correct itself and it is not unusual for the Court to reverse an opinion on fundamental issues. The *Brown* decision of 1954 was a reversal of the 58-year-old doctrine that "separate but equal" schools were acceptable. It is time for another set of changed interpretations.

Denying citizens choice means denying equality of educational opportunity to the American people. That is something we should not tolerate. The burden of proof is not on those who want to confer opportunity, but on those who would continue to confine it to those already blessed with the ability to obtain it for themselves. ■



THE RISK IS TOO GREAT (cont.)

schools. The public schools could become a charity ward, an institution of last resort.

The risk is just too great. There are people in the United States, for example, who believe that the Soviet Union will never attack us and, therefore, we should not spend one single penny defending ourselves. Maybe they are right; if they are, we could save ourselves a lot of money. But if they happen to be wrong, the risk is terrible.

If millions do leave public schools, if public school buildings are sold and teachers leave and textbooks are sold, it's doubtful that we will be able to change our minds. Fifteen years from now we would not have a meeting and say that Al Shanker was right; we would not be able to repurchase the schools and reduce the tax credit. It is doubtful that we could go back to what we had before if tuition tax credits turned out to be terrible.

This is one of those Humpty Dumpty experiments in which you do not put Humpty Dumpty back together again. There are some experiments worth trying — like food. You taste it; if you don't like it, you don't eat it again. It doesn't make any difference. There are other experiments that are irreversible. Tuition tax credits is a vast social experiment that is irreversible. Don't roll the dice. ■

IFG Policy Perspectives

Winter 1982

INSTITUTE FOR RESEARCH ON EDUCATIONAL FINANCE AND GOVERNANCE

UNIFORMITY AND DIVERSITY
Democratic Ideals for Schooling

By Henry M. Levin

The last generation has produced two distinct movements in elementary and secondary education; one for greater homogeneity of educational experience and the other for greater parental and student choice.

Prior to the 1960s, those with strong preferences and the resources to satisfy them encountered less difficulty than today in finding public schools of their choice. Public school finance and governance permitted and encouraged schooling in which the racial composition, religious practices, ethnic orientation and school expenditures reflected the preferences of school clientele to a large extent. But more recently, court decisions as well as federal and state legislation have succeeded in challenging racial segregation, religious practices in the schools, and disparities in school expenditures based upon differences in neighborhood and parental wealth. One response has been that as the traditional differences in educational privilege according to residential location and political power of families were confronted by the intervention of courts and legislatures, demands for increasing educational choice began to be heard.

Recent initiatives in this direction would establish a general mechanism for public finance of education that would enable families to make educational choices in a marketplace composed of both public and private schools supported through tuition tax credits or educational vouchers. Such mechanisms cannot be understood fully without exploring the tensions between individual choice and education for a democratic society.

Common Schools and Choice

The common school, precursor of today's public school, emerged and evolved to teach a shared core of values, a consistent language of politics and social institutions, and an appropriate code of behavior for the nation's system of production. In doing this the schools aspired to create a national unity of purpose, an effective system of democratic functioning and rapid economic development.

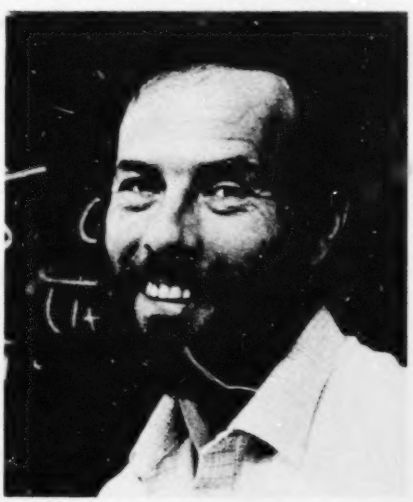
The uniformity implied by a common educational experience could frustrate the expectations of diversity and choice which were equally dear to the national ethos of Americans.

By envisioning a shared educational experience for all, the common school movement tended to conflict with the freedom of choice enjoyed by citizens in many other parts of their daily lives. Those with substantial economic and political resources enjoyed numerous options on how they used those resources to meet their needs. But if families were permitted to choose schooling according to religious, racial, political, ethnic, and other private criteria, the outcome could undermine the democratic intent not only of the common school, but of American society itself. Divisions and differences would then be promoted through the schools and imprinted on adult society. Yet, at the same time, the uniformity implied by a common educational experience could frustrate the expectations of diversity and choice which were equally dear to the national ethos of Americans.

The tension between individual choice and a common education was alleviated in the past through reliance on decision-makers at the local level to fund and govern schools. Although a common curriculum and compulsory attendance laws were established by the states, the actual financing and administration of schools were a local matter. There was ample opportunity for schools to reflect such factors as the income, race, ethnic background, religion, and political convictions of the community. Reliance on local property taxes meant that schools in wealthier communities had more resources for the public education of their young. Differences in religion, politics, language, and other factors were also transmitted through the schools by populations able to maintain political influence and control over local school policies.

Democratizing the Common School

Starting with state attempts to provide equalization funds to poor school districts in the early twentieth century and extending to the constitutional challenges to school finance inequality in the 1960s and 1970s, the states substantially reduced differences in school expenditure associated with local wealth. Similar challenges to religious practices and political indoctrination in schooling also created greater un-



Henry M. Levin is a professor in the School of Education at Stanford University and Director of the Institute for Research on Educational Finance and Governance (IFG). This ***Perspective*** *summarizes his paper "Issues in Educational Choice".*

iformity in the public schools, with particular success in the last two decades. A similar movement eliminated *de facto* racial segregation of students and required school districts to seek racial balance among their enrollments.

These changes foreclosed many traditional options of families to choose public schools that reflected their private preferences and privilege. While the scope of choice was tightening for those who traditionally had substantial choice and influence regarding the education of their children, the range of services, programs and possibilities was expanding for those who had previously lacked such options. Federal and state programs for the disadvantaged, handicapped, and persons from non-English-speaking homes, along with programs to reduce sex discrimination and to expand affirmative action goals tended to threaten those who formerly had the greater educational advantage in public schools.

In all other aspects of their lives, the nation's relatively more privileged citizens had greater options because of their higher incomes, social status, and political resources, but in the educational arena their options had become increasingly circumscribed. It is this situation that has led in large measure to the rising chorus of demand for greater choice in education during the 1980s.

Expanding Choice

In responding to such concerns, it is important to recognize that choice in education is desirable — as long as it does not violate the national goal of introducing its citizens to democracy through a shared educational experience. The ability to choose special offerings in the arts, sciences, expressive skills and athletics, or to benefit from a particular teaching approach is to be encouraged as long as it does not occur at the expense of the common educational experience required for a democratic society.

In order to expand choice in education, it is necessary to obtain agreement on the proper domain for a common core of educational experiences on the one hand, and for a proper domain for choice on the other. The development of these domains and their ingredients represents a major policy task in education, for all choice must be predicated on the acceptance of a common underlying framework. If such an agreement can be achieved, it is possible to suggest ways of expanding educational choice.

Among approaches that might be developed in the public sector are:

- More responsive administrative and political structures, especially school-site governance.
- Open enrollment among school districts and within districts.
- Creating schools of choice within a district that specialize in back-to-basics, art, music, science, cultural enrichment, and so on.
- Mini-schools within existing schools to provide alternatives for each neighborhood.
- Youth republics of self-governing schools in which students and teachers would determine school offerings democratically.
- Greater use of private contractors to provide remedial instruction or other services in public schools, as well as mini-vouchers for students that might be used to obtain such services outside of the schools.

In contrast to these approaches that would foster choice within a common democratic framework, proposals such as tuition tax credits and educational vouchers are problematic because they make choice an end in itself, with little regard for the democratic and common educational experiences that justify an educational system supported by public revenues. Only by assuring a common educational experience that will help to create active participation in a democratic society while encouraging family and student choice can these mechanisms serve both individual family needs and long-term societal concerns. ■

Additional copies of this ***Policy Perspective*** *may be obtained by writing to IFG, School of Education, CERAS Building, Stanford University, Stanford, CA 94305-1691.*

Stanford University, School of Education, CERAS Building, Stanford, CA 94305-1691

IFG Policy Perspectives

Winter 1982

INSTITUTE FOR RESEARCH ON EDUCATIONAL FINANCE AND GOVERNANCE

PRIVATE vs. PUBLIC
Emerging Distinctions, Enduring Consequences

By Thomas James

How did "public" and "private" emerge as separate ways of providing education in the United States? Why did they become so distinct from one another? What prevented public education, once it had taken hold, from establishing a complete monopoly over formal schooling at the elementary and secondary level?

These are intriguing questions at a time when public officials are considering proposals that would alter the role of government in private education, and the answers are not so obvious as might appear on the surface. Throughout the inquiry it is important to keep open a window on the past, since one finds there a useful perspective on the relationship between public authority and private power in American education.

The past 150 years have seen a steady expansion of public authority in education. Private schools have survived only when groups of people had the wherewithal to maintain their chosen institution against the public system. The separation between "private" and "public", formerly a casual distinction between learning in the home versus schooling of any kind outside the home, became more prominent and antithetical as state and society expanded in nineteenth century America. Increasingly distinct realities were manifested on the "public" side by the growth of social services like education and prisons, on the "private" side by an enlarged scale and more independent legal status for corporations.

In education the distinction arrived laden with ideological conflict. It exposed the competing aspirations of different groups in society. The growth of public education paralleled industrialization, urbanization, absorption of immigrants into the wage labor force, the drive for national unity, the disestablishment of religion, territorial expansion, and other developments shaping the history of the young nation. All of these played important roles in the growing preference for public education. The public and private sectors cooperated for many years, even intermingled under state auspices, but as the nineteenth century passed such arrangements dwindled and the separation between "public" and "private" became more distinct, evolving into the sharper dichotomy that characterizes today's institutions of formal schooling at the elementary and secondary levels.

As the nineteenth century passed . . . the separation between "public" and "private" became more distinct, evolving into the sharper dichotomy that characterizes today's institutions of formal schooling.

Whether religious or not, all private schools showed a need to set themselves apart from the expanding agencies of public authority. They did not necessarily reject the benevolent ideologies promising democracy, public welfare, and national unity, but they had in mind a different basis of legitimacy for achieving such ends. Once the dominant mode of organizing social service, "private" came to define itself as that which was not public. It was nonpublic, claiming the privilege of pluralism as it took exception to the pervasive institutional forms created by public authority.

The dilemma was an enduring one because while pluralism and free choice were seen by many as the essence of democracy, in the new world that was coming into being these values were at loggerheads with the democratizing force of public authority as it dotted the land with common schools.

Both parochial schools and private academies attempted to respond to the expanding agencies of public education in the nineteenth century by maintaining alternative ideals of education. The academy movement was at first fully competitive with the public sector. It offered practical education, served the middle class along with the well-to-do, and adjusted its programs and schedules to the needs of its clientele. Like the Catholic schools, such academies were trying to preserve a way of life that was threatened by the cultural amalgamation of public schools. After the spread of the public high school, the academy movement foundered, shrinking to a remnant of elite academies that helped to maintain private spheres of association in which the equalizing goals of the public sector would not apply.

Segregating themselves from public schools by attending these elite academies, the wealthy changed the nature of the

Thomas James is a research assistant at the Institute for Research on Educational Finance and Governance (IFG). This ***Perspective*** *summarizes his paper "Public and Private Education in Historical Perspective".*

common schooling available to those who remained under public authority. What had been "common" in the sense of a coming together and shared socialization of different social classes to learn the values of democracy, had the danger then of becoming "common" in the sense of ordinary, inferior, lacking in distinction. Meanwhile, those with the resources to do so were able to create a separate and elite system of schooling through which they could maintain a continuous reproduction of favored status through successive generations.

Private schools historically have represented not so much individual expression as the right of self-selected groups of private individuals to educate as they see fit and as they are able. Their ability to do so is limited on the one side by public authority and on the other by property — that is, by the collective wealth and social power

The wealthy changed the nature of the common schooling available to those who remained under public authority.

of the private association, whatever its purpose might be. Within these boundaries there has been a complex interweaving of alienation, conflicting notions of legitimate authority, and differing access of private associations to social and economic power.

From another perspective, when public education is set against the background of nineteenth century reform movements, it can be seen that the groups espousing "public" forms of control were also those with rising interests in the increasingly competitive, rationalized, and stratified economy. Most importantly, there was an ideological consensus among the Protestant middle and upper strata of society about what constituted the public interest.

The consensus was challenged by the large numbers of immigrant wage laborers who brought with them a religious and communal pattern of authority that lay outside of the social order upheld by the Protestant majority. The Catholic church resisted by developing an educational ideal of its own, though without public support, to protect the interests of immigrant communities while preserving traditional values and religious teachings.

States in turn enacted many restrictions on private education. The culmination came in 1922 with a referendum in Oregon that required all normal children between 8 and 16 years of age to attend *public* schools. In 1925 the U.S. Supreme Court struck down the referendum, in *Pierce v. Society of Sisters*, on the grounds that it deprived the plaintiffs, who owned and operated a legitimate business, of their property without due process of law. The court also added a dictum about the rights of the customers — parents and children — as it limited the power of the state in "forcing them to accept instruction from public teachers only." Moreover, the decision reaffirmed the power of the state to regulate private schools while it protected the right of those schools to exist.

Pierce's affirmation of private schools on the basis of property rights and customer

There was an ideological concensus among the Protestant middle and upper strata of society about what constituted the public interest.

choice suggests a contradiction underlying the distinction between "public" and "private" in education. Today there is still a democratic public authority interested to some extent in common schooling across lines of residence and race and social class. At the same time, there are still the equally democratic rights of private choice and association — both in private schooling and in the distribution of families among neighborhoods — that place much of education beyond the reach of decisions made in the political realm. As always the state has some power to influence the distribution of resources for social services in the public sector, but it has precious little authority to alter existing patterns of association, the social and economic structures that bring some children together and not others. ■

Additional copies of this ***Policy Perspective*** *may be obtained by writing to IFG, School of Education, CERAS Building, Stanford University, Stanford, CA 94305-1691.*

Stanford University, School of Education, CERAS Building, Stanford, CA 94305-1691

IFG Policy Perspectives

Winter 1982

INSTITUTE FOR RESEARCH ON EDUCATIONAL FINANCE AND GOVERNANCE

THE PUBLIC INTEREST IN EDUCATION

Social and Political Considerations

By Carol B. Muller

In recent years many proposals have been made to increase public support for nonpublic schools. In order to evaluate the advantages and disadvantages of such a change in school finance, it is important to explore its social and political consequences.

The basis for public funding of education has been the provision of benefits for the society at large, including political socialization of the young and reducing stratification within the society. Considering the current situation of public and nonpublic schools, and the incentives within various policy proposals, it seems likely that major changes will result from greater public aid to nonpublic schools. It is particularly interesting to note the impact of these possible changes on the social benefits of and support for public education.

Public Purposes of Education

Education functions in our society as a "mixed" good, imparting both private benefits retained by the individual and public benefits enjoyed by society. One major public purpose of schooling in the United States is political education, or the process by which citizens acquire a common language, knowledge of the purposes and procedures of the government, understanding of the role of the citizen, and exposure to competing points of view.

Schools have also been regarded by some to be a means of reducing social, economic, and cultural stratification by offering opportunity to those of lower social class or lesser economic means to rise above the socioeconomic status of their families. In contrast, others feel that schools reflect and reinforce children's initial backgrounds so that mobility is an unrealistic hope for education. While schooling cannot be expected to counteract all the inequalities present in other social institutions, equal opportunity in education may enable some at least to improve their situations.

Private Schools and the Public Interest

When considering the nature of nonpublic schools with respect to these public purposes for education, it is clear that nonpublic school enrollments are drawn from higher income groups than public school enrollments, and white families are more likely to send their children to nonpublic schools than are other racial groups. Thus if the current balance of enrollments remains the same after the enactment of a plan to increase public support for nonpublic schools, the increased support would on average benefit a whiter, wealthier group of families and their children.

Many nonpublic schools are already segregated along lines of religion or sex. Of private school pupils, 85 percent are enrolled in church-affiliated schools. If parents are given the choice, they may select schools for their children which reflect their own religious or political views. Such homogeneous schools may inhibit the interaction of children from diverse backgrounds with differing beliefs and perceptions, and could suppress competing points of view as a matter of policy. High tuitions and selective admissions mean that access to many nonpublic schools is limited; increased public support to nonpublic schools may reduce some of these barriers, but is not likely to eliminate them. Poor and disadvantaged students would be unable to consider nonpublic schooling even with such a program; increased public support for nonpublic schools would thus benefit a select group and further the stratification between private and public schools.

One set of arguments for increased public support for nonpublic schools concerns choice in education. At present, the opportunity for parents to choose schools for their children is limited because it is restricted primarily to those who are willing and able to pay the tuition. Increased public support would enable more parents to exercise choice. And the desire for choice is understandable; parents may feel a nonpublic school offers a better education, or at least one better suited to the needs of their child. The source of conflict here is that the private desire for choice of a school which espouses particular values, religious or political points of view often conflicts directly with the public interest in having students go to school together for purposes of citizenship education and reducing stratification.

We might consider similar experiences in other countries. For instance, in the Netherlands both public and private schools are publicly assisted. Before the Primary Education Act of 1920, 69 percent of the children there were enrolled in public schools. After that legislation established a formula for grants to nonpublic schools, public enrollments began to

High tuitions and selective admissions mean that access to many nonpublic schools is limited; increased public support to nonpublic schools may reduce some of these barriers, but is not likely to eliminate them.

Carol B. Muller is a graduate student in the School of Education at Stanford University. This ***Perspective*** *summarizes her paper "The Social and Political Consequences of Increased Public Support for Private Schools".*

drop. By 1959, 28 percent were attending public schools, 41 percent Catholic schools, 27 percent Protestant schools, and one percent "other" schools. Some observers contend that this system of support within the Dutch schools encouraged a permanent division of the population into three worlds — Protestant, Catholic, and neutral — a fragmentation carrying over into economic, political and social life.

Advocates of proposals for increased public support for nonpublic schools argue that only through such means will disadvantaged children be able to escape the poor quality and adverse learning environment of some public schools. Many would agree that a common schooling experience is not as crucial to the public interest as helping disadvantaged children receive better education. But barriers to access to nonpublic schools, and facets of the various plans for increased support, suggest that proposals for public support of nonpublic education would primarily assist middle-class, advantaged children, leaving the less advantaged children in a steadily eroding public school system.

Political and Financial Support for Public Schools

Since a program of increased aid to nonpublic schools is likely to divert funds from public schools, any benefits of greater public assistance to nonpublic schools must be weighed against the loss in benefits to public schools. And since political and financial support for education are intertwined, the effects of increased public support for nonpublic schools on the political support for public schools should be examined.

It is possible that competition from nonpublic schools would spur public school improvement. The proposals for increasing nonpublic school support alone may have caused public schools to evaluate themselves more carefully. But public school improvement would be hampered by diminishing funds. The total educational budget is not likely to be increased, so such a program would divert funds from public schools. However, the public school budget would diminish *out of proportion* to the switch of enrollments from public to nonpublic for two reasons.

First, a great deal of support would go to those currently using nonpublic schools, who had not previously been subsidized to such an extent. Second, traditional elements of public support for public schools would probably diminish. In the past, middle-class parents who desired to improve their children's education have worked to improve the schooling of many children, regardless of their economic means, social status, or religious beliefs, at the same time that they worked to improve their own children's education. And these have been the parents who have had the resources, time, and money to effect change. If they have greater incentive to send their children to nonpublic schools, then they are likely to turn from using their resources for the improvement of education in general to working toward increasing the size of the public subsidy to nonpublic schools. The result would be further separation of public from nonpublic schools as political support diminishes, drawing even more funds away from those who do not have access to nonpublic schools, further stratifying the two sectors.

The issues are by no means clearcut, nor are they easily resolved. On the one hand, it is understandable that many parents prefer an alternative to the current public schools and would like more of their tax monies to support nonpublic schools. On the other hand, increased public support for nonpublic schools may have several likely negative consequences for the society at large and for the children within a certain segment of it. Balancing individual interests in education against the larger social concerns of the school will continue to be a major challenge for policymakers. ■

Additional copies of this ***Policy Perspective*** *may be obtained by writing to IFG, School of Education, CERAS Building, Stanford University, Stanford, CA 94305-1691.*

Stanford University, School of Education, CERAS Building, Stanford, CA 94305-1691

IFG Policy Perspectives

Winter 1982

INSTITUTE FOR RESEARCH ON EDUCATIONAL FINANCE AND GOVERNANCE

A LEGAL DILEMMA

Church, State and the U.S. Constitution

By Donald N. Jensen

Supporters of tuition tax credit proposals hope to foster choice in education and to financially strengthen private schools. Yet, tuition tax credits raise two constitutional issues: first, because most private schools are associated with religious denominations, any tuition tax credit program may involve the government in the unconstitutional support of church activities; second, since some private schools follow policies that are illegal for public schools, tuition tax credits may result in government support of illegal activities.

Tuition tax credits may violate the First Amendment, which prohibits congressional action respecting the establishment of religion. It also prohibits Congress from interfering with the free exercise of religion. The First Amendment is vague about what these two phrases are supposed to mean and about how their inherent contradiction is to be resolved.

Donald N. Jensen is a research associate at the Institute for Research on Educational Finance and Governance (IFG). This ***Perspective*** *summarizes his paper "Tuition Tax Credits: Constitutional and Legal Implications". (TTC 1)*

Nonpreference or a Wall of Separation

The writings of the founding fathers on the subject are also ambiguous. It is argued that the founders meant to forbid government support of one religion to the exclusion of all others, but that they did not intend to forbid nonpreferential treatment of religion in general. Patrick Henry's views support this theory. Early statutory language, such as that contained in the Northwest Ordinance of 1787, also seems to throw the opinion of early Congress behind this theory. Thomas Jefferson and James Madison supported the second theory: that the First Amendment erected an absolute wall of separation between church and state.

Early historical experience sheds little light on the current controversy. Patterns of school finance and governance varied widely during colonial times. Schools were located in many different sites; some received public financial support, though others did not. Local control of schools was common and a long tradition existed which viewed education as closely linked to the propagation of religious values. Early practice in the years after independence continued to reflect this diversity.

Most Supreme Court pronouncements on public aid to private schools have been handed down since 1930, and have alternated between the wall of separation theory and the less strict, nonpreferential theory. The Court has allowed states to loan secular textbooks to students in private schools. It has upheld state programs of bus transportation for students in private schools. Released time programs, allowing students to attend classes of religious instruction during school hours, have been supported if they take place away from public school buildings.

The financial crisis besetting many private schools after 1960 resulted in renewed government efforts to assist private schools. Congress made private schools eligible for federal financial aid through the Higher Education Facilities Act of 1963 and the Elementary and Secondary Education Act of 1965. But the Supreme Court upheld only those provisions that applied to private colleges and universities. It reasoned that college students are less impressionable and susceptible to religious indoctrination than are younger students. More importantly, religious indoctrination is not perceived to be the substantial purpose of a church-related college. This requires less governmental scrutiny, diminishing the entanglement of church and state.

In order to be constitutional, a government program must have a secular purpose; it must have a primary effect that neither advances nor inhibits religion; and it must not lead to excessive entanglement between church and state.

The Supreme Court also has repeatedly invalidated state programs of tuition assistance during the past fifteen years. The current test for determining the constitutionality of state assistance to private schools is contained in *Lemon v. Kurtzman* (1971): in order to be constitutional, a government program must have a secular purpose; it must have a primary effect that neither advances nor inhibits religion; and it must not lead to excessive entanglement between church and state. Since the *Lemon* decision, state programs of tuition assistance to parents of pupils attending private schools have been invalidated in Pennsylvania, New York, Ohio, Rhode Island, and Minnesota. Government assistance to private colleges for items such as building

construction — when such buildings are intended for secular activities — is still allowed.

Supporters of a federal program of tuition tax credits make several arguments in favor of their proposals. Their strongest argument is that current tuition tax credit proposals are before *Congress*, not the states. Because the Supreme Court is more deferential to Congressional enactments than to state laws, a federal tuition tax credit bill is more likely to be considered constitutional. Moreover, the chances that a single religious denomination will be politically influential is also less likely at the federal level than at the state level.

Opponents of tuition tax credits cite the recent hostility of the Supreme Court toward state plans assisting private schools as evidence that federal programs are also unconstitutional. They deny that a *federal* tuition tax credit program, rather than a *state* program, would remove the First Amendment problems. Opponents also cite the administrative problems that would attend government oversight of private school operations, raising the specter of overt religious controversy about the allocation of government aid that could occur after a tax credit program has been introduced.

Past decisions of the Supreme Court are weighted toward the unconstitutionality of tuition tax credits. The Court is aware that most private schools are church-related, and fears that such a program would involve the government in administrative supervision of private schools. It has warned of the dangers of overt religious controversy in American politics. All these considerations make the constitutionality of a tuition tax credit bill uncertain at best.

Administrative Regulations

Tuition tax credit programs could also put the government in the postion of supporting private schools that pursue undesirable or unlawful policies. Section 501(c)(3) of the IRS code grants tax exempt status to organizations operated for educational purposes. Section 170(c) allows charitable contributions to such organizations to be claimed as income tax deductions. Thus, it would appear that schools following unlawful policies may not only receive federal tax exempt status, but the parents of pupils they enroll may also receive federal tuition tax credits.

However, a recent line of court decisions and the IRS Code itself denied tax exemptions to schools that practice discriminatory policies. Supporters of tuition tax credits have taken one more step to deal with these problems. Several proposals before Congress include provisions that would withhold tuition tax credits from schools that have been denied tax exemptions under the IRS Code. These provisions would prevent tuition tax credits from furthering unlawful practices by private schools. These proposals do not raise significant legal obstacles to the passage of tuition tax credits.

In January 1982, the Treasury and Justice Departments decided to revoke the IRS policy denying tax exempt status to private schools with discriminatory policies. After being heavily criticized for that decision, President Reagan announced that he would submit a bill to Congress prohibiting tax exempt status for such schools. The President preferred such a denial to be a part of federally enacted legislation rather than IRS regulation. It is likely that the federal government will continue to deny such tax exempt status to segregated private schools in the future.

Tuition tax credits also raise the possibility of increased government regulation of private schools. Government may attempt to extend the protections of the constitution to private school students under a tax credit system. While they may not be successful, it is probable that such attempts would involve the courts in continued controversies concerning educational policy.

Conclusion

The chances that a program of tuition tax credits will pass constitutional muster are not good. The Supreme Court must be convinced that government money is not being used for religious purposes. It must be convinced that limited government support for church-affiliated schools is not being accomplished by dragging government officials too deeply into the administration of those schools. The courts have rarely found that state tuition tax credit programs could surmount these obstacles, and there are no important reasons why a federal tuition tax program could overcome them.

Some fear that tuition tax credits cause the government to support unlawful private school policies. This difficulty has been adequately addressed by current bills. Several tax credit proposals provide that they could be granted only to those schools that have maintained their tax exempt status. Schools retain that status only when they do not follow unlawful policies and violate federal laws.

The best chance that tuition tax credit proposals will be held constitutional may come from a change in the Supreme Court's doctrine concerning the First Amendment. This is most likely to occur as a result of personnel changes on the Court, a prospect that is likely to take place in the next few years. ■

Additional copies of this ***Policy Perspective*** *may be obtained by writing to IFG, School of Education, CERAS Building, Stanford University, Stanford, CA 94305-1691.*

Stanford University, School of Education, CERAS Building, Stanford, CA 94305-1691

IFG Policy Perspectives

Winter 1982

INSTITUTE FOR RESEARCH ON EDUCATIONAL FINANCE AND GOVERNANCE

UNDERSTANDING THE PRIVATE SECTOR

How Different Are the Differences?

By Donald A. Erickson

The literature on nonpublic education in the United States consists of scattered shreds of knowledge, patched together with ignorance and presupposition. The data are flawed and the paucity of evidence is compounded by the absence of an analytical scheme for distinguishing and classifying nonpublic schools. In view of the funds devoted to other educational research, the number of students attending nonpublic schools, and national discussion of policy issues affecting nonpublic education such as tuition tax credits, this neglect undermines serious policy debate.

The importance of the private sector is hinted at by figures compiled by the National Center for Education Statistics (NCES), which estimates that nonpublic schools constitute about 18 percent of all elementary and secondary schools in the U.S., enroll about 10.7 percent of all students at these levels, produce about 10 percent of all high school graduates and employ 11 percent of all teachers in the elementary and secondary grades.

These data, however, are incomplete. Though most states require that all private schools register and report their enrollment, the requirement is unevenly enforced. Many fledgling nonpublic schools, preferring to maintain a low profile (partly in an effort to ward off government interference), simply ignore the requirement. Other schools are reported more than once. Because they have been widely misunderstood and criticized, many fundamentalist and radical private schools are loathe to release information about themselves or their students.

Donald A. Erickson is a professor in the School of Education at the University of California, Los Angeles. This ***Perspective*** *summarizes his paper "Private Schools in Contemporary Perspective".*

One attempt to determine how many nonpublic schools may not have been counted in recent surveys estimated an undercount of 13 percent. This estimate suggests that the nonpublic school proportion of the national elementary/secondary school enrollment in 1978-79 may have been around 12 percent, rather than the 10.7 percent estimated by NCES. Further underestimates result from the NCES decision to omit from its national surveys all schools that do not offer instruction beyond the first grade. There is a tendency for fundamentalist schools to start as preschools or kindergartens and to slowly expand upward one grade at a time. Many of these recently established fundamentalist schools have been excluded by NCES.

Any classification based simply on religious affiliation is misleading because the most pronounced differences among nonpublic school groups are associated with their socio-economic status and level of theological liberalism.

Suggestions that nonpublic school enrollment increases are threatening to eclipse the public schools are not supported by the evidence. The available data indicate that the high point of the nonpublic proportion of elementary/secondary school enrollment, 13.6 percent, occurred in 1959-60. The proportion dropped to an estimated 9.7 percent in 1973, although recent increases have brought it back up to the NCES estimate of 10.7 percent. The all-time high has not been equalled and even that (13.6%) would hardly represent a national threat to the existence of public schools.

However, any national averages are profoundly affected by developments in Catholic schools, which represent the largest segment of nonpublic school enrollments, amounting to 64 percent in 1978-79. Catholic enrollments have declined so notably since 1965 as to obscure enrollment growth in other nonpublic schools. The Catholic enrollment losses also produced a regional shift; whereas the large Catholic systems have been concentrated in the midwest and northeast, nonpublic schools with the greatest recent growth are more prominent in the south and west.

Traditional research analyses, including those of NCES, distinguish schools by broad denominational affiliation or the lack of it. Any classification based simply on religious affiliation is misleading because the most pronounced differences among nonpublic school groups are associated with their socio-economic status and level of theological liberalism. Both characteristics cross denominational boundaries and often vary notably within them. For most purposes, fundamentalist schools should be differentiated from other church-affiliated schools; Catholic schools should be separated from Protestant schools; and high tuition schools should be identified. Such a scheme would be useful because it differentiates nonpublic schools on several dimensions. A minimally adequate classification might be:

- Catholic schools
- Mainline church-affiliated schools
- Fundamentalist schools
- High-tuition schools (with tuitions over $1,500 per year)
- Other special types of schools

Nonpublic schools of different types wax and wane under different circumstances, depending on fiscal structure, primary patron motivations and other factors. The precipitous Catholic school losses for several years after 1965 added up to a series of profound fiscal shocks to which the Catholic system now appears to have adapted fairly well. During the same period, Hebrew day schools and Seventh-Day

Adventist schools experienced periods of explosive growth. Other main line church-affiliated schools maintained a fairly steady state, followed by a recent upturn.

The nonpublic schools which have grown most rapidly by far are of the fundamentalist variety — those associated with conservative theological and moral positions. Though growing rapidly, the fundamentalist schools are not yet sufficiently numerous to pose a serious challenge to the public schools, though their potential patrons are those most likely to be offended by Supreme Court decisions on prayer and Bible reading, the perceived breakdown of discipline and morality, and the introduction of controversial materials and programs in public schools.

The socio-economic status of patrons in various nonpublic schools is related to modes of school finance and the primary inducements that the schools offer their patrons. Schools within the major religiously affiliated groups rarely fall into the high-tuition category. Likewise, when patrons can be attracted on religious grounds, a school has less need to promise superior academic services. Religious groups are able to distribute the costs of maintaining a school among a larger group of people, in this case a congregation or parish, thus cutting patron costs. And schools offering primarily religious inducements tend to attract far larger proportions of modest income people, partly because direct or indirect church subsidies are usually available to hold tuition fees down.

In addition, there appears to be a relationship between the importance of academic goals and the socio-economic status of the patron. It seems that the lowest status patrons of nonpublic schools (e.g., inner-city black and Latino patrons of Catholic schools and minority scholarship students in high-tuition schools) have chosen these schools because they have unusually high mobility aspirations for their children, but view local public schools as inadequate avenues of mobility. Most of the middle-class patrons who populate the major church-affiliated schools have not come primarily for academic reasons (though this may be changing in some areas). The public schools in most areas where they live are in reasonably good repute, and they either see no great value or cannot afford the high-tuition schools that purport to be greatly superior academically. Upper-middle and upper-class patrons usually choose private schools primarily because they want a superior education for their children. They are not unconcerned about religion, but their religious views tend to be liberal and ecumenical, not emphasizing the particular doctrines and character attributes that they think church-affiliated schools are constituted to promote.

Nonpublic schools tend to be patronized by parents with unusual concern for their children's education.

The same desires of high-income parents have often been satisfied in public schools located in wealthy communities. Since these public schools offer no scholarships to poor students outside their attendance boundaries, they may often be more exclusive than their private counterparts. There is evidence to suggest that in some of these areas many families are shifting to nonpublic schools because attempts to equalize educational opportunity in public schools are making it impossible for them to obtain the services they want in the public sector.

One perspective is generally overlooked in discussing the difference between public and nonpublic schools. If a Catholic school somehow ceases to enroll primarily Catholics, it may thus obliterate all religious and racial bias in admissions, but it will also probably destroy its Catholic character. If a high-tuition school reduces its fees or introduces scholarships to an extent sufficient to give equal access to all income groups, it will probably destroy its ability to finance the superior looking programs and facilities that are its primary reason for being.

Despite their variation, nonpublic schools exhibit many common attributes that distinguish them from public schools. Virtually all nonpublic schools are voluntarily patronized and are free to select their own students. Most nonpublic schools exact fees and many require parental participation. They tend to be patronized by parents with unusual concern for their children's education.

Pronounced differences like these between public and nonpublic schools provide the most compelling reasons to continue the study of nonpublic schools and to isolate and identify those factors responsible for their particular strengths. In this way, scholars may generate strategies for the improvement of all schools, public and private. ■

Additional copies of this ***Policy Perspective*** *may be obtained by writing to IFG, School of Education, CERAS Building, Stanford University, Stanford, CA 94305-1691.*

Stanford University, School of Education, CERAS Building, Stanford, CA 94305-1691

IFG Policy Perspectives

Winter 1982

INSTITUTE FOR RESEARCH ON EDUCATIONAL FINANCE AND GOVERNANCE

ISSUES OF EQUITY
What Kinds of Families Will Benefit?

By James S. Catterall

Public policy for private schools is a leading item of new business on the agendas of educational researchers and analysts. The issues of equity surrounding the tuition tax credit mechanism are only one policy aspect of public interactions with private schools. Equity issues are common to policy debates in every arena; they address the fundamental questions of *who benefits* and *who should benefit* under proposed or actual government policies.

In education, our equity standards commonly hold that public schooling resources should be distributed independently of a child's race, sex, parental income or place of residence. We also hope that the child's public educational endowment will address actual learning needs. The definition of equity which underlies this analysis is that equals should be treated equally in public policy, and in some circumstances, unequals should be treated unequally. Children should benefit from equal educational resources unless there is a justifiable reason for some departure.

Equity assessments with respect to tuition tax credits are fundamentally linked to a common question. How would the distribution of benefits under a typical tuition tax credit plan compare with a distribution of benefits that would result from allocating resources to a representative group of pupil families instead? In other words, do the likely recipients of tuition tax credits have characteristics unlike those of the nation's pupil population as a whole?

The analysis is based on a tuition tax credit plan that would allow non-refundable credits for one-half of tuition paid up to a $500 maximum credit — a plan similar to current proposals before the Congress. The dimensions chosen are those customarily associated with equity questions in education, namely income, race, sex, place of residence, and educational need. The data were obtained primarily from the 1979 Census Bureau survey of school enrollments.

For characteristics such as income, race, and pupil needs, the tuition tax credit seems particularly vulnerable in an assessment of equity.

The beneficiaries of a tuition tax credit plan differ from the general population of pupil families in a variety of ways. The most obvious is that they attend private schools and the benefits are thus directed to about 10 percent of all school children in the U.S. About 88 percent of private school children are in church-affiliated schools; even in the absence of information regarding the religious predilections of their parents, we could safely surmise that the eligible population under a tuition tax credit would be more involved in religious institutions than the pupil-family population at large.

Elementary school children and their families are disproportionate winners under a tuition tax credit since larger fractions of all children in these grades attend private schools. While smaller in numbers, the parents of high schoolers would receive about half of all tuition tax credit benefits since they pay much larger tuitions for private secondary schools.

Regional patterns of benefit are mixed. A disproportionate number of families in the northeast and north central regions would benefit, but because of contervailing tuition patterns, total tuition tax credit dollar benefits would favor the south and the west. In the latter region, a relatively smaller number of parents would receive larger credits. On the basis of community type, tuition tax credit benefits would be concentrated in the central cities where high proportions of children attend private schools, and would be relatively negligible in rural areas where private schools are less evident.

Because of their higher overall utilization of private schools, and also due to their greater likelihood of ample tax liability, families with high incomes would be disproportionate beneficiaries of tuition tax credits (see Table). About two-thirds of the benefits of the plan discussed would accrue to families with incomes in excess of $20,000 per year, while only one-fifth of

Percentage of Pupil Families by Income and School Sector
Income in $1,000s

Type	*$0-5*	*$5-10*	*$10-15*	*$15-20*	*$20-25*	*$25+*	*no report*	*total*
Public	8.7	14.5	17.8	15.1	15.0	20.7	8.0	99.8%
Private	2.6	5.7	12.5	15.4	17.1	37.3	9.3	99.9%

Source: US Bureau of the Census, CPR Series P-20, #360, October, 1979.

the benefits would extend to families below $15,000 in annual income.

Race and origin are factors in private school attendance. Black family attendance rates for private school are about one-third those of white families. The distributional imbalance of tuition tax credit benefits suggested by this is partially offset by the fact that blacks as a group report paying higher tuitions and thus their tax credits would be larger. Hispanic families utilize private schools at rates in between those of blacks and whites and would receive proportional levels of tuition tax credit benefits. White families would receive disproportionately large shares of tuition tax credit benefits.

Further distributional findings are in two areas. Special needs pupils are distinctly underrepresented in private schools, and as a group they will not share fairly in tuition tax credit benefits. Americans do not generally discriminate between their sons and daughters when it comes to using private schools, so no inequities on the basis of sex would be anticipated under a tuition tax credit plan.

Two important behavioral changes could accompany the institution of tuition tax credits. Parents might switch their children to private schools because of the credit, and schools might raise their tuition or alter their scholarship policies in response to it. Equity consequences would evolve if certain groups of parents were more likely to respond to credits than others, which seems likely. If tuitions are raised or if scholarships are reduced, there will be added cash requirements of private school attendance even with a credit which only materializes after tuition payments are made. Poorer families may thus be less apt to respond to a tuition tax credit. In addition, families with little or no tax liability will have no reason to respond — again an argument which questions the degree to which poorer families will benefit at all from a tuition tax credit measure.

To summarize, pupils with any of the following characteristics are more likely to claim a tax credit under a typical tuition tax credit plan: high family income, white, normal educational needs, elementary grade level, and living in a central city. To the extent that these predictors are unjustifiable from the standpoint of which groups of citizens should receive how much public educational resources, the tuition tax credit will in practice create inequities. For characteristics such as income, race, and pupil needs, the tuition tax credit seems particularly vulnerable in an assessment of equity.

The tuition tax credit concept could be structured to ameliorate some, but not all, of these apparent inequities. Refundability of the credit would curtail many adverse income-related consequences, and IRS withholding policies (i.e. of payroll withholdings reduction, in anticipation of the credit) could assist poorer families with their cash needs for private school attendance. Larger credits for low-income families would both counter the imbalance of benefits going to high-participating, high-income parents and would probably induce low-income families to choose private schools more often. Racial patterns of benefit probably cannot be rectified directly through the tax credit mechanism since preferential treatment by race in the law would raise immediate constitutional questions. Finally, tax credits could be designed to reflect pupil needs, thereby partially offsetting the degree to which special needs pupils are constrained from participating. Their numbers would still be limited by the availability of suitable spaces, but a private market could grow to meet new demands.

The foremost implication of this discussion is that a tuition tax credit plan would play favorites among the nation's children and families. If this effect is to be cast into a balance with other non-educational purposes claimed for tax credits such as tax relief, we conclude that such a bargain forces some sacrifice in the level of equity with which we educate our children. ■

James Catterall is an assistant professor in the School of Education at the University of California, Los Angeles. This ***Perspective*** *summarizes his paper "Tuition Tax Credits: Issues of Equity".*

Additional copies of this ***Policy Perspective*** *may be obtained by writing to IFG, School of Education, CERAS Building, Stanford University, Stanford, CA 94305-1691.*

Stanford University, School of Education, CERAS Building, Stanford, CA 94305-1691

IFG Policy Perspectives

Winter 1982

INSTITUTE FOR RESEARCH ON EDUCATIONAL FINANCE AND GOVERNANCE

SORTING STUDENTS INTO SCHOOLS
Issues of Access and Quality

By Richard J. Murnane

The operation and effectiveness of both public and private schools are heavily influenced by their participation in a mixed public/private system. This mixed system is one in which the regulations affecting the public and private school sectors differ greatly. In order to understand how a change in public policy would affect either sector, it is necessary to understand the interrelations between the sectors and how these interrelations would be affected by the policy change. It is misleading to analyze the two sectors as two systems operating in isolation, one as a private competitive system and the second as a public system composed of local monopolies.

Importance of Sorting

In American education, student sorting has a profound and unavoidable influence on the distribution of educational achievement and on educational costs. The significance of sorting is that the amount a student learns at school is critically determined by the characteristics of the other students at the school. Students who attend schools in which most of the students value academic achievement, want to go to college, and come from families that support these values and aspirations, learn more than students who go to schools where most students do not have this orientation.

One consequence of the importance of student body composition in influencing achievement is that parents who are concerned about their children's education will try to place them in schools with achievement-oriented student bodies. A variety of social mechanisms and collective behaviors have arisen that sort students. The nature of these sorting mechanisms determines which families succeed in placing their children in schools with achievement-oriented student bodies.

The primary form of sorting in the private sector is self-selection by parents. The tuition charges of private schools serve to sort families, partly on the basis of income, but also on the basis of their concern about their children's formal education. Secondary methods of sorting students in the private sector include selection of students by schools and dismissal of unruly students. The sorting process in the private sector works as it does because of the existence of a large free public sector, without which sorting in the private sector would work differently. The more lenient governmental regulation of nonpublic schools is also important in determining the nature of sorting in the private sector.

The tuition charges of private schools serve to sort families, partly on the basis of income, but also on the basis of their concern about their children's formal education.

The primary form of sorting in the public sector is residential location of families by income, class and race. Just as in the private sector, this sorting influences the distribution of educational achievement among public school students. Sorting in the public sector is heavily influenced by the regulations that constrain the operation of public schools, among which are compulsory education laws and statutes guaranteeing every child an education in a public school.

In short, the sorting of students is a major influence on American education, and it occurs in both the public and private sectors, though it works differently in each. These differences stem primarily from the differing regulations on the behavior of public and private schools in our mixed educational system.

Affects of Tuition Tax Credits on Sorting

Tuition tax credits can be fruitfully analyzed as a policy initiative that would alter the way sorting occurs. How sorting in both the public and private sectors would actually change, and consequently how the educational system would be affected, depends critically on the details of the regulations that characterize the tuition tax credit plan.

Data on public and private schools do not provide an accurate basis for judging the likely outcomes resulting from any tuition tax credit plan. The reason is that the operations of public and private schools are to a large extent determined by the mixed nature of the system and by differences in regulatory constraints. For example, student achievement differences tell us nothing about why they occurred or whether they would persist under a new policy regime.

The statutes and regulations that would define a program of tuition tax credits would necessarily alter the regulatory environment in which private and possibly public schools operate. Changes in the regulatory environment could well result in significant changes in the way sorting takes place and consequently in the distribution of educational achievement and per pupil costs.

The process of designing the legislation and writing the regulations for a program

---

Richard J. Murnane is a professor in the Department of Economics at Yale University. This ***Perspective*** *summarizes his paper "Understanding Public and Private Schools: The Importance of Student Body Composition, Sorting and Regulations".*

of tuition tax credits would be characterized by tensions regarding three public policy objectives.

1. Providing *access* to private schools for children from low income families. Would tuition tax credits provide new educational opportunities for many students, particularly those currently sorted out of high quality public and private schools? The answer depends on the extent to which the program would reduce the cost of private education to families of sorted out students, and on the supply response of private schools.

One key factor influencing the extent to which tuition tax credits would increase the demand for private education by the sorted out group is whether the plan provided net tax refunds for families that have such low incomes that they do not have an income tax liability. Without such refunds there would be no benefits for many sorted out students.

2. Upholding minimum *quality* standards in private schools supported in part by government funds. In the past, public support for the provision of social services by private providers has been accompanied by regulations designed to assure that minimum quality standards be met. While there is no assurance that standards would be imposed, it is likely there would be pressure for such regulations. At a minimum, pressures for making student test scores publicly available seems inevitable.

The basic problem in regulating quality is that it is not feasible to place controls on the outputs of schools, because student skills (as measured by test scores) are influenced by many factors not controlled by the school. Controls on inputs are of limited value because the relationships between student achievement and factors under the school's control, such as teacher credentials and student staffing ratios, are quite weak.

3. Preventing *fraud*. A tuition tax credit plan constitutes a system in which a third party, a unit of government, pays for all or part of the educational services provided by a private school to a student. Advocates of tuition tax credits sometimes neglect to consider that the incentives in a third party payment system are very different from those in a simple market where the party receiving the sevices directly pays the full bill for these services. In this case, there exist incentives for corrupt suppliers of the services to collude with consumers to defraud the third party. In the case of tuition tax credits this collusion could take the form of a family claiming a tax credit for service not actually provided and then "purchasing" documentation certifying the child's attendance at a school in return for a portion of the tax credit.

There are two points central to the policy debate over tuition tax credits. First, to understand how such a new policy would influence education in America, it is necessary to examine how the regulations defining the policy would influence our mixed educational system characterized by extensive sorting. The second point, a corollary of the first, is that the metaphor of competitive markets is of limited usefulness in understanding private education in America because it directs us away from considering the critical issues of sorting. ■

Additional copies of this ***Policy Perspective*** *may be obtained by writing to IFG, School of Education, CERAS Building, Stanford University, Stanford, CA 94305-1691.*

Stanford University, School of Education, CERAS Building, Stanford, CA 94305-1691

IFG Policy Perspectives

Winter 1982

INSTITUTE FOR RESEARCH ON EDUCATIONAL FINANCE AND GOVERNANCE

PUBLIC SUPPORT, PUBLIC REGULATION
The Dilemma for Nonpublic Schools

By Dennis J. Encarnation

Governmental involvement in nonpublic education is commonly expressed as a question of whether private schools should or should not be supported by public funds or subjected to public regulation. Much of the current debate surrounding tuition tax credits is framed in this way. That debate, however, ignores one important historical fact: government treatment of nonpublic education in the U.S. has never been a question of whether federal or state governments should or should not finance or regulate nonpublic education. Rather, it is a question of how and how much.

Existing Government Financial Support

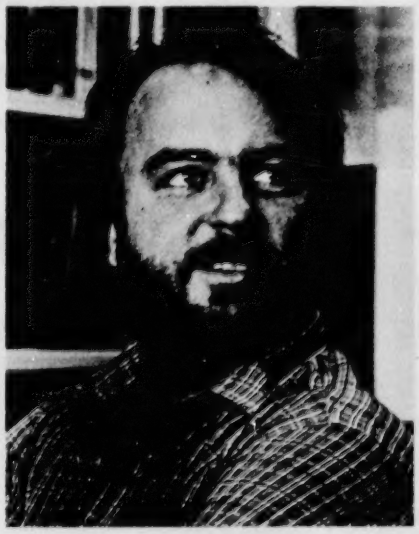
Many observers are not aware that private education, even in the absence of tuition tax credits, is already subsidized by the public sector. Federal, state and local governments provide financial aid for nonpublic schools, for nonpublic school children or for the parents of these children in two principal ways.

First, indirect public aid for nearly all nonpublic schools comes from governments exempting such schools from taxation. Nonpublic schools that maintain a nonprofit status are generally exempt from local property taxes — the largest single category of indirect aid — and charitable contributions made either indirectly to churches or directly to these schools are deductible from individual incomes. While these indirect subsidies do not appear as income in the budgets of nonpublic schools and are not counted as expenditures in the budgets of public agencies, they nevertheless reduce the total operating expenditures and lower the tuition costs of nonpublic schools, and hence should be considered a form of aid.

In addition to indirect funding through tax exemptions while receiving public services such as fire and police protection, another portion of government financial support is channeled to a *small subset* of nonpublic schools in the form of direct budgetary expenditures for specific categories of assistance, which generally take two forms. Most is distributed by state and local agencies as "in kind" services, defined as the extension of existing publicly funded and publicly administered programs to include certain students attending nonpublic schools, though no direct transfer of public funds actually occurs. The "in kind" services include the extension of student transportation, textbook loan, dual enrollment and other "child benefit" programs. Over 33 states each offer up to seven child benefit programs that account for over two-thirds of all programmatic expenditures from state, federal and local sources.

The remainder of government programmatic expenditures reimburse selected nonpublic schools or nonpublic school personnel for services rendered to students with special educational needs. These include, for example, the provision of services to nonpublic school students enrolled in special education or compensatory education (Title I) programs.

When aid from both direct and indirect government sources was added together, it comprised nearly one-fourth of the total nonpublic school revenues from all possible sources during the 1970-71 school year. Given expanded aid programs over the last decade, it is very unlikely that the relative importance of government financial support has diminished since 1970. For example, during 1980-81, participating nonpublic schools received almost $500 in public services for every Title I student enrolled in their school. Thus according to available data, governments at all levels are already involved financially in the provision of nonpublic education.



Dennis J. Encarnation is a research associate at the Institute for Research on Educational Finance and Governance (IFG). This ***Perspective*** *summarizes his paper "Public Financial and Regulatory Treatment of Nonpublic Education".*

Existing Government Regulation

Discussion of financial aid naturally turns to a discussion of regulation. Almost all direct and indirect financial aid programs regulate their recipients in some way, but the degree of regulation varies across programs and across locales. So, for example, indirect tax subsidization may beget IRS attempts to regulate admission policies in nonpublic schools. An even smaller number of schools whose students participate in categorical aid programs may also be subject to a broad array of regulations tied to state and federal programs. Nonpublic schools that accept publicly funded Title I services, for example, are subject to compliance monitoring and student evaluations, all administered by local public education agencies. And an even more stringent set of controls, parallel to those affecting comparable public school programs, is applied to nonpublic special education schools in several states.

In addition, numerous goverment policies have a purely regulative impact unalloyed with aid. These policies are of two types. The first is comprised of those policies that affect educational and noneducational institutions alike, such as health, safety and other business regulations. A second set of public regulatory policies unaccompanied by financial aid attempts to control the internal operation of nonpublic schools. For nonpublic schools to operate in 1980, five states mandated that they all must satisfy state accreditation requirements, 13 mandated that their teachers satisfy state certification requirements, and 46 states mandated that minimum curriculum requirements be satisfied. Even in states with voluntary guidelines, nonpublic schools that accept direct state financial aid often must comply with these guidelines in order for their students to qualify for public support. Again, public financial aid often begets public regulation.

Existing and proposed policies affecting nonpublic education can be compared and contrasted along several policy dimensions. For example, most existing government programs of direct and indirect aid offset some modest proportion of the cost of educating selected students. Only state and federal programs for special education and vocational education come close to covering most of the costs incurred by students attending specialized nonpublic schools in certain locales. Yet, even these programs, like all other forms of direct aid, are restricted both in terms of the services provided and in the beneficiaries of those services. In contrast, the various alternatives proposed, including certain tuition tax credit and educational voucher schemes, seek to provide more comprehensive coverage of program costs to a broader range of students. Like indirect funding through existing tax policies, both of these proposed alternatives would channel their funds through students and parents and not through local public institutions, the prevalent conduit for existing programmatic aid.

Moreover, most public regulations, and especially those tied to child welfare programs, attempt to control only that portion of a school's internal operations that directly affect targeted students and the services provided. Only a few direct financial aid programs (e.g., special education) treat certain public and nonpublic schools alike in applying a full system of state regulations. And an even fewer number of states, like Hawaii, mandate that state accreditation standards, minimum curriculum requirements, and teacher certification requirements must all be satisfied in the absence of state aid. Therefore, the pattern reflected in existing programs has been toward greater regulation of the services provided with public funds. However, various proposed alternatives, including some educational voucher and tuition tax credit schemes, tend to dissociate funding from regulation.

For the most part, existing government programs do not provide general funds to support nonpublic schools directly or to pay student tuition in schools other than those serving children with special educational needs. Tuition tax credits and vouchers are premised on a more general aid mechanism whereby reimbursible funds or certificates can be used for tuition at nonpublic schools. In these cases it is sometimes argued that regulation will be minimal, since the funds are being provided to parents rather than to schools. However, most voucher plans contain substantial regulatory intent regarding the definition of schools, curricular content and admissions, among other things. Tuition tax credit proposals still must define what is meant by "school" in order to set out eligibility for credits, and this definition constitutes a regulation. Further, to the degree that abuses arise, there will be an outcry for further government involvement and regulation.

Conclusion

The important question underlying current debate over tuition tax credits is not whether private schools should or should not be supported by public funds. Rather, the essential policy issue is whether the federal government should provide additional funds for a sector whose several component parts already receive widely varying degrees of public financial support. Moreover, since many public financial and regulatory policies are already inextricably intertwined, no discussion of alternative aid policies — including tuition tax credits — should overlook the ultimate impact of government regulation in any future calculation of relative costs and benefits. At the very least, current debate must begin to consider the larger policy context within which tuition tax credits must inevitably operate if they pass legislative and judicial muster. ■

Additional copies of this ***Policy Perspective*** *may be obtained by writing to IFG, School of Education, CERAS Building, Stanford University, Stanford, CA 94305-1691.*

Stanford University, School of Education, CERAS Building, Stanford, CA 94305-1691

IFG Policy Perspectives

Winter 1982

INSTITUTE FOR RESEARCH ON EDUCATIONAL FINANCE AND GOVERNANCE

COMPARING PUBLIC AND NONPUBLIC SCHOOLS

The Difficulty of Measuring Efficiency

By Daniel Sullivan

Advocates of public support for private schools have argued that the existence of these schools forces public schools through competition to be more efficient, provides for greater choice and diversity in the educational services available, and stimulates innovation in the delivery of these services. Attention has also been given to the fact that nonpublic schools, on average, report lower per pupil expenditures and higher average pupil performance on standardized tests than do their public school counterparts. These reports have led some advocates, policymakers, and even scholars to conclude that private schools educate students more efficiently than do public schools. Because this conclusion is commonly used to provide additional support for increased public funding to the private sector, it is important to consider more fully the nature of the evidence on their relativie efficiency.

Accounting for Public and Nonpublic School Costs

There is clear evidence that nonpublic schools spend less on the average than their public counterparts. These averages, however, mask a considerable diversity in both sectors. In fact, the private sector is really composed of two distinct elements — a small (15%) independent component whose per pupil expenditures are higher than most public schools and a much larger (85%) church-affiliated sector with very low reported expenditures.

When these expenditures are examined, a number of important points emerge. First, many costs of the church-affiliated schools do not appear in their budgets, either because they are paid for by the church (utilities or plant maintenance), donated to the schools (teaching service from members of religious orders or help with administrative tasks from parent volunteers), or they are provided in kind (textbooks or specialists to assist disadvantaged or handicapped pupils). Second, a significant part of the expenditure differences are for public school services which are not directly provided by private schools such as transportation, security, or community programs.

Over half of the measured expenditure differences, however, are due to factors directly related to pupil instruction. In 1978-79, for example, when per pupil expenditures for public and Catholic schools were $1,740 and $710 respectively, nearly two-thirds of the difference was spent on instruction and related elements. However, only a small part of this difference (about $100) represented additional resources for basic instruction. Most of the difference in instructional expenditures resulted from additional services not provided by nonpublic schools for handicapped or disadvantaged students as well as higher teacher salaries in the public schools.

Expenditure Patterns and Efficiency

Translating expenditure differences into measures of relative efficiency requires that they be linked to some measure of output. Most often, school outputs are represented by student performance on some standardized test or set of tests. Education is conceptualized as a series of ingredients (or inputs) such as teachers, materials and use of facilities, that are transformed by the school into outputs such as student achievement. Since the costs of the inputs can be calculated, it would appear that student achievement can be measured and the relative efficiency of different schools can be determined.

In practice, this type of analysis is difficult to implement for a variety of reasons. First, student performance on achievement tests is as much related to such family characteristics as income, parental education and motivation as it is to school characteristics. Second, nonpublic schools tend to enroll students from families with higher incomes and other educational advantages when compared to students found in public schools. This introduces a bias in favor of the nonpublic schools which cannot be eliminated completely by available statistical procedures.

Attempts to use differences in average cost and student performance to estimate the efficiency of shifts in enrollment from one sector to the other encounter another major methodological problem. Many advocates or policymakers fail to realize that it is not average cost (or performance) which is relevant here, but marginal cost, or the additional cost associated with the transfer of additional students from one sector to the other. And there is no evidence to suggest that the marginal costs of private education will be less than those of public schools, particularly when one takes into account the limited supply of inexpensive teachers, the potential need for capital expenses, and the nature of their students. In fact, the two sectors currently differ to such a great extent in the pupils they serve, the programs they offer, and the legal constraints they face that estimating the net costs of any major change in the shares of the two sectors is highly speculative at best.

Conceptual Problems and Policy Implications

Even if the various data and methodological obstacles could be overcome, there are a number of questionable

---

Daniel J. Sullivan is a researcher at ABT Associates. This ***Perspective*** *summarizes his paper "Comparing Efficiency Between Public and Private Schools".*

assumptions embedded in the underlying conceptual framework which might invalidate comparisons between public and nonpublic schools.

1. A tendency for policymakers to oversimplify comparisons often leads to the impression that public and nonpublic schools have essentially the same types of programs and employ similar methods in operating these programs. Test scores reflect primarily the results of academic or college preparatory curricula. Since a far higher portion of students in public schools pursue a general course of studies or vocational education than in nonpublic schools, test scores in academic subjects are not an unbiased measure of outcome. Unfortunately, this point is often overlooked when test scores of public and nonpublic schools are compared.

2. Education is defined solely in terms of measurable inputs and outputs, thus ignoring the potential significance of incommeasurable characteristics of public and nonpublic schools. Nonpublic schools are voluntary; the students in the classroom want to be there and have full parental support. Although public schools are not voluntary, some schools, and especially neighborhood schools, are also characterized by high levels of parental support and involvement.

3. It is typically assumed that the character and effectiveness of any school, public or nonpublic, are separable from the process by which the school's student body is determined (as noted earlier, much attention is given to statistically account for student body differences). However, the ability of private schools to easily dismiss disruptive students affects both the learning environment and the attractiveness of the environment for students and teachers alike. The selective nature of these schools may contribute to their being used as labor market screens, artificially increasing the economic returns to their graduates.

4. The measurement of educational efficiency is treated as independent of any consideration of educational equity, implying that "whose" education is being considered is a secondary issue. That is, a system which aids the affluent but harms the poor may be found to be "efficient" if the gains to the wealthy are seen as greater than the costs to the poor.

5. Present discussions of public and private efficiency comparisons in education largely ignore the importance of how providers of private schooling might respond to a given policy change, such as tuition tax credits, and the potential constraint that this response represents on the possibility for expanding the private sector to meet consumer demand. Instead of adding new seats, it is not unreasonable to suppose that existing schools, many of which are experiencing financial strain, would attempt to capture most of the benefits of any tax credit by increasing tuition.

These considerations lead to the conclusion that valid comparisons of public and nonpublic school efficiency are far more difficult to construct than is commonly believed. Thus the current debate, which tends to legitimize such comparisons, is counterproductive for two reasons. First, these considerations encumber the policy process in unresolvable debate. Second, they focus policy discussions on the common elements of public and nonpublic schools, rather than on what is unique to each and what distinct contribution each sector might make to American education. ■

Additional copies of this ***Policy Perspective*** *may be obtained by writing to IFG, School of Education, CERAS Building, Stanford University, Stanford, CA 94305-1691.*

Stanford University, School of Education, CERAS Building, Stanford, CA 94305-1691

IFG Policy Perspectives

Winter 1982

INSTITUTE FOR RESEARCH ON EDUCATIONAL FINANCE AND GOVERNANCE

FACTORS INFLUENCING CHOICE
Estimating the Enrollment Shift

By John J. Gemello and Jack W. Osman

If tuition tax credits are enacted, how will families respond? Many policymakers are especially concerned that tuition tax credits will cause families to shift from public schools to nonpublic schools. We have attempted to identify some of the key characteristics which currently influence the family's choice between public and nonpublic school attendance.

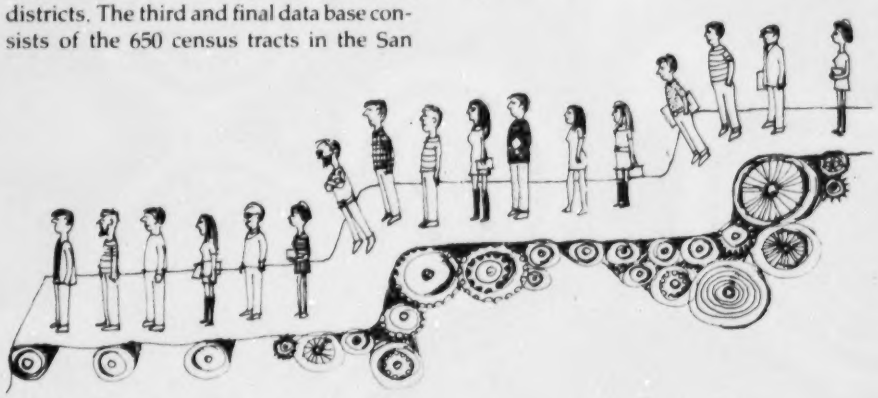
It is assumed that the decision to attend a public or nonpublic school is similar to other economic decisions. Families are expected to consider the attributes of the various alternatives, whether public or nonpublic, the price of choosing each of the alternatives, and their own incomes when making school choice decisions. Income is always a primary attribute considered by economists, for while there may exist a strong want or need for a service such as education, there is no effective demand for the service without the means (income) to purchase it. Since the tuition tax credit is likely to be only a fraction of a nonpublic school's total tuition, family income will continue to be an important determinant of nonpublic school enrollments.

A computer aided statistical analysis allows us to examine the variations which exist in public/nonpublic school attendance rates and to identify the factors which account for these variations. Among the characteristics identified are the income level of the family, the education level and occupation of the parents, the migration pattern of the family, the family's race or ethnic background and its religious affiliation. The effect of several measures of public school quality upon this decision is also investigated.

Three sets of data are utilized in the statistical analysis. The first set compiles data from the 50 states and the District of Columbia and allows examination of variations in attendance rates for both parochial and nonparochial schools among the states and four major regions of the country. The second data base consists of information from the unified school districts in California. Social, economic and demographic data from the 1970 Census is used with data provided by the California Department of Education to analyze the causes of variations in the private school attendance rates observed in the different districts. The third and final data base consists of the 650 census tracts in the San Francisco Bay Area. Once again data from the 1970 Census and the California Department of Education is utilized to study the variation in attendance rates that exists among the census tracts.

Our examination of the national data reveals that private parochial school attendance rates are highest in the northeast and north central states, nearly twice the level that exists in the south and the west. On the other hand, the south has the highest enrollment rate in private nonparochial schools, more than three times the rate for the north central states. While part of the variation might be due to regional differences in the "taste" for nonpublic education, we found that the average family income, the proportion of minority population in the state and religious affiliation are significantly related to the variation in attendance rates. Not surprisingly, the percentage of the population from Catholic backgrounds is the most important characteristic in explaining parochial school enrollment rates, while family income played a more important role in explaining the private nonparochial school choice.

California's unified public school districts display a wide range in the proportion of students attending nonpublic schools, ranging from no students to over one-fourth enrolled in the private schools. Nonpublic school attendance tends to be high in large districts, in those districts characterized by higher incomes and other measures of social status, and in those districts with large black or Asian populations.



In an analysis aimed at assessing the independent impact of individual forces upon the decision to attend nonpublic schools in California districts, economic factors, particularly average family income

---

John J. Gemello and Jack W. Osman are professors in the Department of Economics at California State University in San Francisco. This ***Perspective*** *summarizes their paper "Analysis of the Choice for Public and Private Education".*

Overall, nonpublic school attendance, particularly parochial enrollment, is reduced where public school quality, as reflected in the level of school expenditure and student performance on standardized tests, is higher.

and the incidence of poverty, as well as the public school's ethnic makeup and expenditure level, are among the important factors. Of families already attending nonpublic schools, those with higher incomes are more likely to choose nonparochial private schools. Nonparochial school attendance appears to be more affected by family income than does parochial school attendance. Overall, nonpublic school attendance, particularly parochial enrollment, is reduced where public school quality, as reflected in the level of school expenditure and student performance on standardized tests, is higher.

The San Francisco Bay Area census tract sample permits an examination closer to the decision making unit, the family. Here, total private attendance rates for elementary and high school are examined separately. The dominant finding is the importance of religious preference: the percentage of the population which is Catholic is positively and strongly related to nonpublic school enrollment rates.

The average income in the census tract is also directly related to variations in attendance rates. Scores on state-administered reading tests for the public schools were used as a measure of public school quality and found to be statistically significant, with higher public school reading scores being associated with lower nonpublic school enrollments. Tracts with large families, implying a lower ability to pay out of a given income, have significantly lower nonpublic school enrollment rates. There is evidence that large districts with large minority populations have higher nonpublic school enrollment rates, particulary at the high school level.

The major policy issue is the importance of income as a determinant of nonpublic school enrollment rates. The attendance rate for private nonparochial schools is more sensitive to income changes than the rate for private parochial schools while nonpublic high school attendance rates are more sensitive to income variations than nonpublic elementary school attendance rates. Overall, our study of the San Francisco Bay Area census tracts suggests that a 1.0 percent increase in family incomes will be associated with a .54 - .70 percent increase in nonpublic elementary school attendance rates, and a .59 - .74 percent increase in nonpublic high school attendance rates.

Thus we estimate that public policies to increase family income through tax cuts or educational vouchers would increase nonpublic school attendance rates by about two-thirds of a percent for every one percent increase in family income. For example, in a community with an average family income of $13,000 and where 10 percent of the children attend nonpublic schools, an increase in income of 10 percent (to $14,300) would lead to a nonpublic school attendance rate of approximately 10.67 percent. ■

Additional copies of this ***Policy Perspective*** *may be obtained by writing to IFG, School of Education, CERAS Building, Stanford University, Stanford, CA 94305-1691.*

Stanford University, School of Education, CERAS Building, Stanford, CA 94305-1691

IFG Policy Perspectives

Winter 1982

INSTITUTE FOR RESEARCH ON EDUCATIONAL FINANCE AND GOVERNANCE

IS THERE A PRIVATE SCHOOL ADVANTAGE?

Measuring Differences in Student Achievement

By Doug Willms

Recently there has been considerable debate among educators concerning public policy toward nonpublic schools. This debate is reflected in proposals to provide public financial support to private schools through voucher mechanisms or tuition tax credits. Opponents to the proposals argue that private schools are inequitable along racial and social class lines, and that they do not serve the goals of education for a democratic society. However, others believe that such mechanisms will provide greater parental choice and therefore promote competition among schools by offering greater diversity and responsiveness to students' educational needs and more rigorous academic training. Central to this debate then, is whether nonpublic schools are more effective than public schools in terms of educational achievement.

Two large scale national studies on public and private schools have been conducted during the past year to address this achievement issue. Unfortunately, the reports provide disparate conclusions. The Coleman, Hoffer, and Kilgore report finds ". . . in general, with [family] background characteristics controlled, Catholic school sophomores perform at the highest level, sophomores in other private schools next, and sophomores in the public schools lowest."

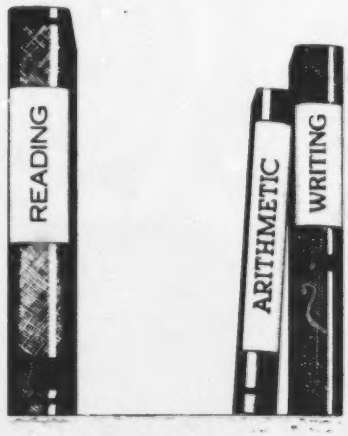
The National Assessment of Educational Progress (NAEP) reports very different findings. "When populations are equated for socioeconomic status, the mean differences between public and private schools diminish considerably or vanish. There is no statistically significant private school advantage nationally, at any age, in either reading or mathematics."

Data were analyzed to explain why these reports differ and to answer two policy questions relevant to the tuition tax credit debate:

1. If there are differences in academic performance between the public and private sectors, are these differences uniform for all students or are they patterned along racial and social class lines? For example, it is conceivable that children from advantaged backgrounds do equally well in either the public or private sectors. On the other hand, minority and disadvantaged students may perform considerably better in the private schools, either because they respond differently to different educational practices or because there are more marked differences between private schools and the large inner-city public schools.

2. Most large public high schools offer different programs of study, generally categorized as academic, general, or vocational tracks. For students enrolled in the same course of study are there differences in academic achievement between those in the public and nonpublic school sectors?

Data from the High School and Beyond Study on approximately 30,000 sophomores in 1,000 U.S. schools were used to address the above two questions. Only public and Catholic private students were included in the analysis due to limited data on non-Catholic private school students.



Results

The analysis examined the patterns of public/private achievement differences along racial and social class lines. The results show that there are no public/private achievement differences for wealthier whites, those who are the main clientele of the private schools, whereas there are significant differences for minority and disadvantaged students.

An examination of the analytical techniques used by NAEP and Coleman, et al., showed why their results were different. NAEP used a stratified matching technique whereby private students, who are mainly advantaged whites, were matched to public school counterparts of similar background; consequently, there were no differences in their achievement scores. Coleman, et al., on the other hand, used an adjustment technique which examined how a private school student would perform if he or she had the same background characteristics as the average public school student. Since the public school sector includes a much larger number of minority and disadvantaged students, Coleman, et al., were able to find small, but statistically significant differences.

The analysis also examined reading and mathematics achievement for public and Catholic students in each academic track. The table shows the effects of private schooling when there is statistical control for income, race, and parental education.

Doug Willms is a research assistant in the Institute for Research on Educational Finance and Governance (IFG). This ***Perspective*** *summarizes his paper "Achievement Outcomes in Public and Private Schools: A Closer Look at the High School and Beyond Data".*

Reading and Mathematics Scores by Academic Track (HS&B Sophomores)

Reading Test

Track	*Catholic mean (std. dev.)*	*Public mean (std. dev.)*	*Observed Difference*	*Adjusted + Difference*
Academic	11.509(3.49)	11.077(3.82)	.432**	.226
General	9.305(3.15)	8.472(3.38)	.833**	.574**
Vocational	8.735(3.59)	7.954(3.30)	.781*	.305

Mathematics Test

Academic	23.341(6.27)	22.868(6.93)	.473*	−.007
General	19.511(6.01)	17.150(6.31)	2.361**	1.796**
Vocational	18.123(6.41)	16.291(6.25)	1.832**	.795

*p < .05
**p < .01
+ Adjusted for income, race, and parental education. Differences are probably overestimated due to a selection bias problem.

The "adjusted difference" is the amount of reading or mathematics achievement one might expect to gain by sending a child to a Catholic school instead of a public school. From these results we can draw the following conclusions:

- For academic track students, who constitute 75% of Catholic high school students, private schooling has no special effect on reading or mathematics achievement. That is, there is no evidence that a child in an academic course of study would improve his or her performance by shifting from the public to the private sector. Recent results of a parallel analysis on NAEP data have confirmed this finding.
- For general track students, Catholic school students perform better than public school students by about one quarter of a standard deviation. In order to assess the magnitude of that effect in later success in the labor market, a related study of high school achievement found that such a gain in test scores was associated with a gain in earnings of less than one percent, or about five cents an hour.
- No assertions can be made regarding vocational track students due to the small numbers of these students in the Catholic schools.

Policy Implications

The results indicate that a policy such as vouchers or tuition tax credits that induces a migration of academic track students from public to private schools will have no effect on overall academic achievement.

The one quarter standard deviation advantage for general track students in Catholic schools is probably an overestimate. Some of these differences are due to differential selection; that is, that private schools mainly get students who have higher initial ability, are better disciplined, and come from families that have higher expectations and provide considerable encouragement and support. These students would perform well in any type of school. In one attempt to control for this selection bias problem, Coleman found that the adjusted public school scores should really be about .15 of a standard deviation higher overall.

In conclusion, policy decisions should not be based on the assumption that private schools produce better achievement outcomes than public schools. Clearly, some public schools are better than some private schools and *vice versa*. There are no differences in achievement between public and private sectors for the advantaged white students, those who are most likely to attend private schools. Minority and disadvantaged students in private schools do perform better than those in public schools; however, some of these differences are due to differential selection. ■

Additional copies of this ***Policy Perspective*** *may be obtained by writing to IFG, School of Education, CERAS Building, Stanford University, Stanford, CA 94305-1691.*

Stanford University, School of Education, CERAS Building, Stanford, CA 94305-1691

IFG Policy Perspectives

Winter 1982

INSTITUTE FOR RESEARCH ON EDUCATIONAL FINANCE AND GOVERNANCE

WHAT WILL IT COST?
Projections for the U.S. Treasury

By David Longanecker

As the Congress considers tuition tax credit legislation, one of the most central issues will be how much various proposals would cost — that is, how much federal revenues would decline as a result of the credits. Despite the arguments of some policymakers that tax reductions should not be considered equivalent to directly appropriated expenditures, from a budgeting standpoint reductions in revenues have the same effect on balancing a budget as increases in direct spending. And in a period of fiscal constraint, budget considerations will likely be weighed heavily as new legislation is considered.

The revenue loss resulting from tuition tax credits would depend greatly on four characteristics of the credits:

- Who would be eligible for the credits?
- How much they would be eligible for?
- What portion of tuition costs would be covered by the credits?
- Would the credits be refundable — that is, would families paying tuitions that amounted to more than their taxes receive a refund from the Treasury?

A mixture of philosophical and pragmatic considerations generally dictate the specific set of characteristics selected for a tuition tax credit proposal. The revenue loss (or cost) associated with the credits is one of the most pragmatic considerations. Not only do the four characteristics independently affect how much families receive, but they also can affect how many families choose to send their children to tuition charging schools and how much tuition these schools charge.

David Longanecker, formerly of the Congressional Budget Office, is the Deputy Executive Director of the Minnesota Higher Education Coordination Board. This ***Perspective*** *summarizes his paper "Public Costs of Tuition Tax Credits".*

The Revenue Loss for Variations of One Tuition Tax Credit Option

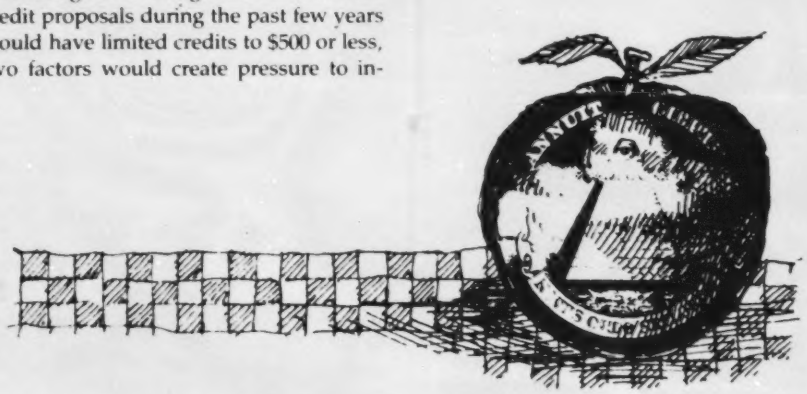
A simple plan that would allow families currently sending their children to tuition charging schools to claim nonrefundable elementary and secondary tuition tax credits of up to $250 per child, not to exceed 50 percent of tuition payments, would reduce annual revenues by approximately $1.0 billion in 1982 dollars.

Expanding eligibility would increase the revenue loss. Including postsecondary tuition expenses for full-time students, for example, would increase the annual revenue loss to $2.4 billion, an increase of about 135 percent.

The maximum size of credits also greatly affects the revenue loss. Doubling the maximum credit to $500, for example, would cut revenues by an additional $500 million, an increase of 50 percent in the revenue loss. Quadrupling the maximum credit to $1,000 would reduce revenues by another $500 million, bringing the total revenue loss to $2 billion dollars. The increase in revenue loss would not be proportional to the increase in maximum credits because other characteristics of the credit (principally the percent of tuitions covered by the credits and the nonrefundability provision) would constrain growth in the average size of the credits.

Although most Congressional tuition tax credit proposals during the past few years would have limited credits to $500 or less, two factors would create pressure to increase the maximum size of future credits. First, tuition increases caused by inflation would create pressure to increase tax credits. Second, the scope of federal programs, once enacted, often expands. The recently passed tax bill, for example, expanded benefits provided through a variety of tax expenditure provisions, including increasing the limits on tax deductible contributions to independent retirement accounts, increasing the capital gains exclusion for elderly who sell their homes, and increasing the child care credit. If enacted, similar pressure might mount to expand the size of tuition tax credits in order to address specific objectives. For example, many families would need credits much larger than $500 to achieve the objective of totally eliminating financial barriers to nonpublic education.

The proportion of tuition expenses covered by the credit can also affect revenue losses, although the specific effects vary greatly, depending on the interaction of this characteristic with other characteristics. With a maximum credit of $250, for example, cutting the proportion of tuition expenses covered by the credit in half (from 50 to 25 percent) would reduce the revenue loss by $200 million, a 25 percent decline. The reduction in revenues



would not be proportional to the reduction in the portion of costs covered because credits would be reduced for only some families (those paying tuitions of less than $1,000). Because most families currently pay tuitions of more than $500, increasing the proportion of costs from 50 percent would have very little impact — any family paying more than $500 in tuition would already have been eligible for the maximum $250 credit.

Making the credits refundable would add an additional $100 million to the revenue loss, an 8 percent increase. Most of the additional benefits would go to low-income families, who would owe relatively little in taxes, and thus would not be eligible for the full tax credits unless they were refundable.

Tax losses of several billion dollars could result from increasing the amount of the credit, enlarging the proportion of tuition covered by the credit, including post-secondary tuition expenses and making the credit refundable. The Congressional Budget Office has suggested costs to the Treasury as high as $7 billion for such an expanded program.

The Effects of Tuition Tax Credits On Enrollments and Tuition Costs

If tuition tax credits reduce the net price of nonpublic education, some shift in enrollments would occur from public to nonpublic schools. Larger changes in the net price would result in larger enrollment shifts. To the extent that changes in the four major characteristics of tax credits affect families' credits, either by increasing maximum credits, increasing the proportion of tuition expenses covered by the credit, or making the credit refundable, they would increase nonpublic enrollments, all else being equal.

Increases in nonpubiic enrollments would increase the revenue loss. If enrollments proved to be highly sensitive to the availability of tuition tax credits, both enrollments and the associated revenue loss could increase by as much as one-third. Some evidence, however, suggests that enrollments may not be highly sensitive to tuition prices. Furthermore, the sensitivity of enrollment decisions to tuition prices no doubt varies by family income.

Depending on their design, tuition tax credits could produce a strong incentive for schools to increase their tuition charges. In the extreme case, schools could increase tuitions by the full amount of the credit, thus reaping the full benefit of the credit. Although most families with children in these schools would face no greater net after-tax price for educating their children, neither would they receive any of the intended reduction in financial burden. Perhaps a more likely scenario, therefore, would be that schools would increase tuitions enough to appreciate some benefit of the tax credit, but would still provide some reduction in net expenses for students' families.

Increasing tuition charges, however, would not significantly affect the revenue loss because in most cases it would not alter the credit amount that families could claim. In fact, tuition increases would moderate other anticipated increases in the revenue loss; by decreasing the net benefit of the tax credits to families, tuition increases would moderate to some extent the potential shift in enrollments from public to nonpublic schools. ■

Additional copies of this ***Policy Perspective*** *may be obtained by writing to IFG, School of Education, CERAS Building, Stanford University, Stanford, CA 94305-1691.*

IFG Policy Perspectives

Winter 1982

INSTITUTE FOR RESEARCH ON EDUCATIONAL FINANCE AND GOVERNANCE

PUBLIC SUPPORT FOR NONPUBLIC EDUCATION

Arrangements in Other Countries

By Joel D. Sherman

Public funding of private education at the elementary/secondary level, particularly by the federal government, is a subject which provokes intense reactions in the United States. In countries outside the United States, however, the experience with aid to private education is quite different. Most other countries in the developed world have provided financial support for private education for many years and currently fund private schools' operating and capital costs quite extensively. Furthermore, the issue of public funding no longer provokes widespread controversy; the organization and finance of both public and private education has by and large been well accepted by the general public.

Experience in other countries with the finance of private education suggests several interesting observations. First, funding arrangements for denominational schools are generally of long-standing duration, while the extension of funding to non-denominational, independent schools, where it exists at all, is often of recent origin. Second, the arrangements currently used to fund denominational schools are the unique products of each country's resolution of the role of church and state in providing education. As in the United States, this resolution has been legitimated in the country's constitution or fundamental law.

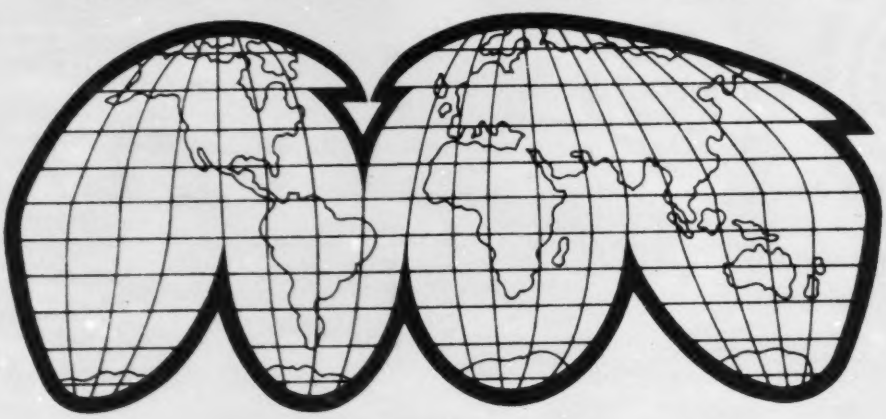
A third observation is that, with the exception of Australia, funding in countries with federal forms of government is provided almost exclusively from state/provincial and local sources, rather than from the federal government. The conflict over centralism and localism in states or colonies with strong separatist traditions was resolved in the countrys' constitutions by a division of powers among governmental levels, with education, specifically or by omission, reserved for the states.

Finally, funding for denominational schools usually parallels public school arrangements and is fully integrated with them. Independent schools, in contrast, are more often funded through separate arrangements, although funding levels are usually tied to public school costs.

There is, of course, great diversity in the funding structures among countries. The Netherlands represents one extreme in that virtually the full cost of non-government primary school operations is funded by the central government, and all public and private schools are fully integrated into the funding scheme. In contrast with the Netherlands, funding for private schools in several other countries is derived from both central and local government sources.

While attempts to generalize may lead to some over-simplification, financial arrangements generally take one of two forms. One arrangement is highly centralized such that central governments establish service levels for staff and other major school costs which they then pay directly from central government funds. Minor operating expenses, such as building maintenance, are met from intergovernmental aid, local taxes, and minor fees. This approach is found in many of the German states.

The second approach is more locally based. Local school systems establish service standards within centrally determined limits. These services are supported partially from central government grants-in-aid. The separate (denominational) school system in Ontario, Canada, is characteristic of this approach.



Arrangements used by other countries to finance education can be of interest for American educational policy, but recent Australian developments warrant particular attention for several reasons. First, Australia is the only country in which major new funding initiatives occurred at the federal, rather than the state/provincial level. Second, in the area of educational policy, the Commonwealth Government,

---

Joel D. Sherman is the Associate Director of the National School Finance Project. This ***Perspective*** *summarizes his paper "Public Finance of Private Schools: Observations From Abroad".*

in Australia and the Federal Government in the United States have shared many similar concerns and have taken similar types of action to address them. Third, in terms of their constitutional provisions concerning the relationship between church and state, Australia and the United States are probably closer than any other countries. Although Section 116 of the Australian Constitution has recently been interpreted differently from our First Amendment, for many years they were construed in similar ways.

Several points about the Australian finance arrangements should be noted. Commonwealth support for private schools has evolved incrementally and paralleled the growth of Commonwealth support for public schools. Commonwealth funding has generally been accepted by the public at large, but has faced strong interest group opposition at a time of fiscal constraint. The vast majority of Commonwealth funds for private schools are now distributed through an equalizing formula which provides higher grants to low-resource schools. Increases in direct funding of private schools have been accompanied by a reduction in indirect support in the form of tax deductions and credits to individuals. Finally, Australian experience suggests that there may be an interaction between government funding policies, particularly the finance of capital costs, and school enrollments in the public and private school sectors.

The possibility that vouchers and/or tuition tax credits may be adopted to provide public support to private education and, over the long run, that there might be a significant increase in Federal — and possibly state and local — financial aid, raises numerous important policy issues for the United States. In the American setting, these questions are yet unanswered. Other countries have, however, undergone the experience of developing large-scale aid programs for private schools. Any examination of these experiences and their implications for the United States clearly requires some caution. Nonetheless, some recent developments, particularly in Australia, merit further investigation, since they have the potential to provide some guidance on critical policy issues. ■

Additional copies of this ***Policy Perspective*** *may be obtained by writing to IFG, School of Education, CERAS Building, Stanford University, Stanford, CA 94305-1691.*

Stanford University, School of Education, CERAS Building, Stanford, CA 94305-1691

IFG Policy Perspectives

Winter 1982

INSTITUTE FOR RESEARCH ON EDUCATIONAL FINANCE AND GOVERNANCE

THE FUTURE UNDER TUITION TAX CREDITS

The Case for Homogeneity in Schools

By Nathan Glazer

The impact of a tuition tax credit will clearly depend on many specific details of the size and refundability of the credit, the eligibility of schools, the regulations schools must adhere to, and others. Any projection must be highly speculative; nevertheless, one can say a few things.

Most people seek homogeneous environments in which to educate their children. The homogeneity they seek is not necessarily racial, ethnic or class, but a consensus on educational values held by children and their parents, as well as by teachers and administrators. Some degree of homogeneity is required for an effective educational environment. In its absence, the schoolteacher must be concerned primarily with discipline, the slowest children, or must abandon them and concentrate on the brightest. Undoubtedly an index to the homogeneity of educational values is given by race, class or ethnicity; and thus a legitimate search for the best educational environment becomes entangled with a refusal by many to accept racially and ethnically heterogeneous environments, for whatever reason.

How does this square with the historic role of the public school, the "common school" in which all children of a community were educated together regardless of class or ethnicity? The fact is that most public schools were, and are, homogeneous with respect to educational values, race and ethnicity. This is a result of the patterns in which Americans generally settled: by race, ethnicity, income, among the various regions, between small cities and large ones, between cities and suburbs, and within the individual neighborhoods of cities.

Nathan Glazer is a professor in the Graduate School of Education at Harvard University. This ***Perspective*** *summarizes his paper "The Future Under Tuition Tax Credits".*

Possible Enrollment Shifts

- Where people are mostly satisfied with their public schools, there will be little change in enrollments. Thus, satisfaction is greatest in rural communities, small towns and cities, which tend to be homogeneous. One possible and important exception to this homogeneity lies in the rural areas and small towns of the South, with their black-white division. Whether tuition tax credits will increase the tendency of whites to leave the public schools for private schools is a serious question. But segregated academies and fundamentalist private schools are not the same, do not draw from the same socio-economic groups, and rest on different motivations.
- In suburbs, too, there is both considerable homogeneity and satisfaction with schools. There is always a discontented fringe who will be encouraged to move out, but the effect should not be great.
- In the big cities, not much change should be expected in the middle-class and the stable working-class districts where again the principle of satisfaction with homogeneity prevails. However, school busing threatens this homogeneity by separating residence from school. In many cities this is a reality, in others it is a threat. The federal administration's de-emphasis on desegregation plans that require transportation outside of one's neighborhood may restrain the expansion of busing. Insofar as busing is restrained, little change in enrollment patterns should be expected in large parts of big cities.
- The greatest discontent with schools is in black neighborhoods and other minority areas, where in theory one could expect the greatest demand for new forms of schooling. The demand would come not only from discontented black and minority parents, but also from low-income whites living in central cities and from upper-income whites who are increasingly returning to central cities.

Even the potentially substantial response of minority and white parents living in central cities depends on what kind of schools are provided and their cost. It is likely that private schools will increase their fees in order to increase salaries for teachers, since most of them pay well under public school salaries. The supply of schools will be augmented by entrepreneurs from the newly vigorous Christian fundamentalism, from black churches, and on a lesser scale, from conservative Jewish groups who are important in some areas of some cities. All of these groups are discontented with the lack of discipline, the presence of drugs, and the lack of religious education in the public schools. Released public school teachers may be tempted into educational entrepreneurship, but I doubt this will be a big response.

Do those who wish to escape have the duty to stay behind with the worst?

To some extent the response, on the demand and the supply side, will exacerbate racial segregation. But it should be pointed out that there is a surprising degree of integration in inner-city private schools, and this would be maintained. In addition, increased segregation at the school level may be matched by decreased segregation at the neighborhood level. It will no longer be necessary to move to a given geographical area to get one's child into the school of one's choice.

Regulation and Differentness

Crucial to any projection of the effects of tuition tax credits is the kind of regulation that will be imposed on participating schools. If private schools are subjected to

the same requirements that affect public schools in the areas of segregation, discipline, and religious education, then the response will be very muted indeed. Nevertheless, the extension of this kind of rule and regulation which makes the private school more like the public school is not dependent merely on tuition tax credits. The Internal Revenue Service thought it was within its rights to impose on private schools severe requirements to show nondiscrimination and states have very wide regulatory authority. On the whole, I think the private schools would be able to defend their differentness enough to be potent competitors with public schools in those areas where parents are discontent.

We must also consider the impact of expanded private schooling, with its distinctive values and specific religious traditions, upon overall divisiveness in America society. But support of private schools is not necessarily the death of democratic and effective societies, as we can see from Canada, Australia, France, and Israel. Nor has the presence of the Catholic parochial school system, which educates a very large percentage of our children in northern and midwestern cities, been a chief source of divisiveness there.

The most serious effect of a tuition tax credit will be on the withdrawal of the more motivated children from the ghetto schools, which generally are educational disaster areas. Their absence will affect the morale of teachers and administrators, and may affect the achievement of poorly prepared and less motivated students. There is no way of getting around this problem. One can only take the children who remain in such schools, because their parents may not have the knowledge, energy, or interest to seek for better, and do the best one can.

This problem arises whenever a population has serious problems, whether in housing projects or prisons. Do those who wish to escape have the duty to stay behind with the worst? And does society have an obligation to force them to? I think the answer to both questions is no. To me, freedom is a higher value than those advanced by the forced association of the aspiring and achieving with those who create an environment in which they can neither aspire nor achieve. ■

Additional copies of this ***Policy Perspective*** *may be obtained by writing to IFG, School of Education, CERAS Building, Stanford University, Stanford, CA 94305-1691.*

Stanford University, School of Education, CERAS Building, Stanford, CA 94305-1691

IFG Policy Perspectives

Winter 1982

INSTITUTE FOR RESEARCH ON EDUCATIONAL FINANCE AND GOVERNANCE

SHOULD WE AGREE TO GO?
The Case Against Tuition Tax Credits

By David W. Breneman

This perspective discusses the implications of tuition tax credits for elementary-secondary education from the position of a critic of such credits. The analysis is necessarily speculative for there is little historical experience that is relevant to forecasting the impact of tuition tax credits on the demand for and supply of private education, on educational quality and on the broader society. Because the federal administration has announced its intention to support the proposal, however, it is important to consider the potential effects of that legislation.

Tuition tax credits for higher education have been proposed regularly in recent years, but the higher education community is united in its opposition to them, preferring grant and loan programs instead. Tuition tax credits for higher education would be inefficient, inequitable, and expensive, imposing a heavy drain on Treasury revenues without generating offsetting social benefits. Grant and loan programs do a more effective job of providing educational opportunity than do tax credits, which would largely provide windfall benefits to parents with children already enrolled in college. The same windfall benefits would accrue to families of the five million youngsters currently enrolled in private elementary and secondary schools, but unlike the case of higher education, tuition tax credits would be expected to influence enrollment decisions.

The analysis is complicated by the fact that tuition tax credits can be constructed in many ways, each with different effects on behavior. Political and economic factors constrain credits at the federal level to relatively modest specifications (the Packwood-Moynihan proposal covers 50 percent of tuition to a maximum $500 credit). The National Taxpayer's Union (NTU) has been promoting a state income tax credit, most recently in the District of Columbia, which would provide a 100 percent credit with a maximum of $1,200 per student.

David W. Breneman is a senior fellow in the Brookings Economic Studies program of the Brookings Institution. This ***Perspective*** *summarizes his paper "Where Would Tuition Tax Credits Take Us? Should We Agree to Go?"*

Enrollment Responses

How large an enrollment response at the elementary-secondary level would be triggered by enactment of a tuition tax credit like the Packwood-Moynihan plan? The only honest answer is that no one knows. The families most likely to switch from public to private schools are likely to be those in the lower middle income brackets for whom the credit would actually make the necessary financial difference.

One argument stresses increasing educational choice as an end in itself, a value consistent with traditions of diversity and pluralism.

No one knows how many such families are sufficiently discouraged with the public schools to want to make that change, but a plausible estimate is that about one million students might switch, with the impact varying from region to region and city to city. The quantitative impact on the public schools would not be devastating, but the qualitative effects could be severe if the brightest students left the system. Furthermore, the country would be paying a high price for relatively few students to change schools, because the bulk of the benefits would go to those higher income families whose children are already enrolled in private schools. If one million children shifted to private schools in response to a $500 credit, the cost of providing choice for those one million children would be roughly $3 billion, or $3,000 per child. This includes the cost associated with the tax credits provided to the five million students already enrolled in private schools.

The potential impact of the credit on the supply of private schooling must also be considered in evaluating the proposal. Even if one million youngsters want to switch schools their efforts will be of no avail if the necessary spaces are not there. We do not know how many unfilled spaces currently exist in private schools, nor do we know whether existing private schools want to expand. In the longer run, the important issue is how many new schools may be opened, but since most private schools, especially church-related schools, are not organized to make profits, it is not clear how large a latent supply of educational entrepreneurs exists. An enrollment growth in the private schools of roughly one million students could take place over a three to five year period, but any estimate beyond that is impossible.

Choice and Competition

There are a number of reasons that prompt people to support tuition tax credit legislation. One argument stresses increasing educational choice as an end in itself, a value consistent with traditions of diversity and pluralism. A second argument also emphasizes choice, but for the instrumental purpose of encouraging competition among schools as a way of improving educational quality. The analogy is drawn directly from economics and advocates the benefits of market competition. Under this view, tuition tax credits will force the public schools to improve in order to retain their students.

This second argument is weak. A tuition tax credit is only a partial step toward market competition because public schools would continue to enroll the majority of students and receive funds

directly from state and local governments. Achieving a true educational marketplace would require the use of educational vouchers, not tax credits. Tax credits may lower — rather than raise — the quality of public education by easing the departure from the public schools of any students and families who care about educational quality. With such families gone, the force for improvement would be reduced in many public schools, particularly those in inner cities.

Advocates of tuition tax credits frequently stress the benefits of extending educational choice to those deprived of it, ignoring the costs to society and to other students that would accompany such a change. A judgment on tax credits boils down to a balancing of the gains for some against the losses for others. Losses are likely to outweigh gains. Tuition tax credits will increasingly split the public and private schools along socioeconomic lines, with the public schools in many areas becoming educational wastelands, ignored but tolerated by a society that has taken care of the more demanding parents through private alternatives. Tuition tax credits represent an unfortunate compromise between state monopoly and a free market in education that fails to realize the potential benefits of either.

Tuition tax credits represent an unfortunate compromise between state monopoly and a free market in education that fails to realize the potential benefits of either.

Increased choice is possible by increased selection among schools within the public system. If public support for private education is to be provided, grants based on parents' financial need would be more efficient and equitable than extending aid without reference to need through tax credits. If the benefits of market competition are sought, support should be given to educational vouchers rather than to tax credits. A decision for vouchers would have to be made at the state and local levels, rather than in Washington, D.C., but that is surely consistent with the conservative view that education is a state and local concern. Every effort should be made to improve educational quality and performance from within the public school system. ■

Additional copies of this ***Policy Perspective*** *may be obtained by writing to IFG, School of Education, CERAS Building, Stanford University, Stanford, CA 94305-1691.*

Stanford University, School of Education, CERAS Building, Stanford, CA 94305-1691